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In the Supreme Court of the United States

OCTOBER TERM, 1934

Nos. 489–490

IN THE MATTER OF THE CHICAGO, ROCK ISLAND and Pacific Railway Company, debtor.

RECONSTRUCTION FINANCE CORPORATION, petitioner

v.

THE CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY Company et al., respondents

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ON WRITS OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT

APPENDIX TO BRIEF FOR THE RECONSTRUCTION FINANCE CORPORATION

RECONSTRUCTION FINANCE CORPORATION ACT

Approved January 22, 1932, as Amended

[c. 8, sec. 1, 47 Stat. 5,6 as amended by Act of June 21, 1934, c. 692, 48 Stat. 1198 U. S. C. A., Title 15, Sec. 605]

An act to provide emergency financing facilities for financial institutions, to aid in financing agriculture, commerce, and industry, and for other purposes

* * * * *

SECTION 5. To aid in financing agriculture, commerce, and industry, including facilitating the ex-

portation of agriculture and other products, the corporation is authorized and empowered to make loans, upon such terms and conditions not inconsistent with this Act as it may determine, to any bank, savings bank, trust company, building and loan association, insurance company, mortgage-loan company, credit union, Federal land bank, joint-stock land bank, Federal intermediate credit bank, agricultural credit corporation, livestock credit corporation, organized under the laws of any State or of the United States, including loans secured by the assets of any bank, savings bank, or building and loan association that is closed, or in process of liquidation to aid in the reorganization or liquidation of such banks or building and loan associations, upon application of the receiver or liquidating agent of such bank or building and loan association, and any receiver of any national bank is hereby authorized to contract for such loans and to pledge any assets of the bank for securing the same.

All loans made under the foregoing provisions shall be fully and adequately secured. The corporation, under such conditions as it shall prescribe, may take over or provide for the administration and liquidation of any collateral accepted by it as security for such loans.

* * * * *

Each such loan may be made for a period not exceeding three years, and the corporation may from time to time extend the time of payment of any such loan, through renewal, substitution of new obligations, or otherwise, but the time for such payment shall not be extended beyond five years from the date upon which such loan was made originally. The

corporation may make loans under this section at any time prior to the expiration of one year from the date of the enactment hereof; and the President may from time to time postpone such date of expiration for such additional period or periods as he may deem necessary, not to exceed two years from the date of the enactment hereof. Within the foregoing limitations of this section, the corporation may also, upon the approval of the Interstate Commerce Commission, make loans to aid in the temporary financing of railroads and railways engaged in interstate commerce, to railroads and railways in the process of construction, and to receivers of such railroads and railways, when in the opinion of the board of directors of the corporation such railroads or railways are unable to obtain funds upon reasonable terms through banking channels or from the general public and the corporation will be adequately secured. * * *

EMERGENCY RELIEF AND CONSTRUCTION ACT OF 1932

[July 21, 1932, c. 520, 47 Stat. 709,713]

TITLE II. Loans by Reconstruction Finance Corporation:

SEC. 201. (f) All loans made under this section, and all contracts of the character described in paragraph (1) of subsection (a), shall be fully and adequately secured. The corporation, under such conditions as it shall prescribe, may take over or provide for the administration and liquidation of any collateral accepted by it as security for such loans. * * *

EMERGENCY RAILROAD TRANSPORTATION ACT, 1933

[June 16, 1933, c. 91, 48 Stat. 211]

Title I, Sec. 15, 48 Stat. 216 (U. S. C. A., Title 49, Sec. 265), provides:

> The Commission [Interstate Commerce Commission] shall not approve a loan to a carrier under the Reconstruction Finance Corporation Act, as amended, if it is of the opinion that such carrier is in need of financial reorganization in the public interest: *Provided, however*, That the term "carrier" as used in this section shall not include a receiver or trustee. (Parentheses supplied.)

ACT APPROVED JANUARY 20, 1934 C. 3, 48 STAT. 318—CONTINUING THE FUNCTIONS OF THE RECONSTRUCTION FINANCE CORPORATION

An Act to continue the functions of the Reconstruction Finance Corporation, to provide additional funds for the Corporation, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That until February 1, 1935, or such earlier date as the President may fix by proclamation, the Reconstruction Finance Corporation is hereby authorized to continue to perform all functions which it is authorized to perform under existing law, and the liquidation and winding up of its affairs as provided for by section 13 of the Reconstruction Finance Corporation Act, as amended, are hereby postponed during the period that the functions of the Corporation are continued pursuant to this Act.

* * * * *

APPLICATION NO. I SUBMITTED TO INTERSTATE COMMERCE COMMISSION, JUNE 13, 1932.

(184 I. C. C. 597; Finance Docket No. 9384)

Application of The Chicago, Rock Island and Pacific Railway Company for a loan of $10,000,000

(184 I. C. C. 597; Finance Docket No. 9384)

To the RECONSTRUCTION FINANCE CORPORATION:

The Chicago, Rock Island and Pacific Railway Company, hereinafter called the "applicant", applies for a three-year loan of $10,000,000, and shows:

1. The full corporate name of the applicant is The Chicago, Rock Island and Pacific Railway Company. It is a consolidated corporation, formed June 2, 1880, under the laws of Illinois and Iowa. Its charter was extended for a period of fifty years, from June 2, 1930.

2. The name, title, and address of the person with whom conferences of correspondence should be had with respect to this application are Marcus L. Bell, Vice President and General Counsel, The Chicago, Rock Island and Pacific Railway Company, 25 Broad Street, New York, N. Y.

3. Applicant cannot secure the necessary funds, in whole or in part, from any other source. Applicant has made efforts with various banks to borrow funds, and has succeeded in borrowing upon its treasury collateral $8,750,000, notes for which mature August 1, 1932, as more fully set forth in Schedule G hereof. On account of the decline in price of applicant's securities, applicant is unable to secure any further loans. Applicant now has pending before the Railroad Credit Corporation an application for a loan of $4,621,519.50 to enable it to meet its fixed interest

obligations from May 1, 1932, to September 1, 1932, inclusive. A copy of the application to the Railroad Credit Corporation is attached hereto as Exhibit 1. To the extent that applicant obtains funds from the Railroad Credit Corporation pursuant to said application, the loan of $10,000,000 herein applied for may be reduced. If conditions require, applicant will make additional applications to the Railroad Credit Corporation for further loans to enable it to meet its fixed interest obligations maturing subsequent to September 1, 1932.

4. Applicant consents to such examinations as the Corporation may require for the purpose of the act and/or that reports of examinations by constituted authorities may be furnished by such authorities to the Corporation upon request therefor.

5. No agreement has been made, or will be made, by the applicant to pay any person, association, firm, or corporation, either directly or indirectly, any commission or fee for the loan applied for, and no such payments have been made, or will be made, by the applicant.

6. The purpose of the loan and the uses to which it will be applied, and the date or dates on which the funds must be available to the applicant, are as follows:

(a) $4,621,519.50 to meet the following fixed interest obligations:

May 1, 1932

The Chicago, Rock Island and Pacific Railway Company Thirty-Year 4½% Convertible Gold Bonds	$725,130.00
Choctaw, Oklahoma and Gulf Railroad Company Consolidated Mortage Gold Bonds (5%)	135,275.00
The Chicago, Rock Island and Pacific Railway Company Short-Term Bank Loans	40,000.00
	900,405.00

June 1, 1932

The Chicago, Rock Island and Pacific Railway Company Equipment Trust (Issue of 1923), Series L, 5%--	$92, 625. 00
The Chicago, Rock Island and Pacific Railway Company Equipment Trust (Issue of 1930), Series Q, 4½%-	284, 310. 00
The Chicago, Rock Island and Pacific Railway Company Short-Term Bank Loans	40, 000. 00
	416, 935. 00

July 1, 1932

The Chicago, Rock Island and Pacific Railway Company General Mortgage 4% Gold Bonds of 1988	1, 231, 620. 00
The Chicago, Rock Island and Pacific Railway Company Equipment Trust (Issue of 1927) Series O	162, 112. 50
Choctaw and Memphis Railroad Company First-Mortgage 5% Gold Bonds	88, 100. 00
Little Rock & Hot Springs Western R. R. Co. First-Mortgage 4% Gold Bonds	9, 072. 00
White & Black River Valley Ry. Co. First-Mortgage 5% Gold Bonds	15, 000. 00
The Chicago, Rock Island and Pacific Railway Company United States of America Equipment Gold Notes, Series I, 6%	48, 600. 00
The Chicago, Rock Island and Pacific Railway Company Short-Term Bank Loans	40, 000. 00
	1, 594, 504. 50

August 1, 1932

The Chicago, Rock Island and Pacific Railway Company, Equipment Trust (Issue of 1925), Series N, 4½%	72, 900. 00
The Chicago, Rock Island and Pacific Railway Company, Equipment Trust (Issue of 1929), Series P, 4½%	184, 275. 00
St. Paul and Kansas City Short Line R. R. Co., First Mortgage 4½% Gold Bonds	225, 000. 00
The Chicago, Rock Island and Pacific Railway Company, Short Term Bank Loans	40, 000. 00
	522, 175. 00

The Chicago, Rock Island and Pacific Railway Company, Secured Gold Bonds, Series A	$900,000.00
Rock Island, Arkansas & Louisiana R. R. Co., First Mortgage 4½% Gold Bonds	247,500.00
The Chicago, Rock Island and Pacific Railway Company, Short Term Bank Loans	40,000.00
	1,187,500.00

(b) $4,375,000.00, representing one-half of the principal of the bank loans shown on Schedule G hereof, on their respective maturity dates.

(c) $1,003,480.50 to apply on account of maturing principal installments of Equipment Trust Obligations. (See Schedule R.)

7. The applicant has no existing financial relations with the United States as to—

(a) Loans made by the applicant:

(b) Claims under Section 209 of the Transportation Act;

(c) Claims on account of deficits under Section 204, Transportation Act;

(d) Payments on account of excess net railway operating income under paragraph 6 of Section 15a of the Interstate Commerce Act. There are no proceedings before the Interstate Commerce Commission involving excess net railway operating income;

(e) And there are no other debits or credits existing between the applicant and the United States other than mail pay, transportation of troops or income tax matters.

8. Applicant desires the entire amount of the loan for the full three-year term applied for, from and after the several dates on which the funds are made available as specified in Section 6 thereof.

9. A statement of the latest valuation placed by the Interstate Commerce Commission upon applicant's property, with the aggregate net property changes to the latest date to which such changes have been reported to the Bureau of Valuation, is attached hereto as Exhibit 9.

10. No subsidiary or affiliated organization of the applicant, or any organization of which the applicant is a subsidiary, has applied for or received loans from the Reconstruction Finance Corporation.

11. The applicant has become a party to the Marshalling and Distributing plan, 1931, of the Railroad Credit Corporation.

12. A comparative statement of the amounts paid to the Railroad Credit Corporation, derived from increases in freight rates under *Ex Parte 103*, is submitted as Exhibit 12.

13. A comparative monthly estimate of the revenues received and expected to be received from the increases in freight rates permitted by *Ex Parte 10s*, is submitted herewith as Exhibit 13.

14. As stated in paragraph 3 hereof, applicant has applied for a loan of $4,621,519.50 from the Railroad Credit Corporation to enable it to meet its fixed interest obligations maturing from May 1, 1932, to September 1, 1932, inclusive, but applicant has not received such loan. Applicant intends to apply for additional loans from the Railroad Credit Corporation to enable it to meet its fixed interest obligations for the remainder of the year 1932, if applicant's necessities so require.

15. A statement of the principal commodities carried and of the ten most important industries served, is attached hereto as Exhibit 15.

16. The particular facts upon which applicant relies as to its present and prospective ability to repay the loan and discharge its obligations in regard thereto, are:

Applicant operates a railway system of approximately 8,000 miles, situated in fourteen states of the Middle West. For the entire period following the termination of Federal Control to the end of the year 1929 applicant earned its fixed charges, the dividends on its preferred stock, and approximately $33,000,000 in excess of all dividends paid on its common stock. In 1930 applicant's earnings were sufficient to pay all of its fixed charges, full dividends on its preferred stock, and have left $5.56 per share available for dividends on its common stock. In 1931 applicant failed by approximately $386,000 to earn its fixed charges; this was due entirely to the general business depression, and applicant has confidence that when normal conditions return it will be able to restore its earnings to the basis existing prior to the depression. Applicant has made reductions in pay, force, and general expenditures as far as is consistent with the proper maintenance and operation of its properties, and is confident that with the material reduction in expenses, even a moderate improvement in business will produce net earnings sufficient to enable applicant to repay the entire loan.

17. A detailed description of the securities to be offered for the loan containing full information and data appropriate thereto is attached hereto as Exhibit 17. Copies of documents relating to such securities are submitted with this application. The applicant's opinion as to the value of the collateral and the basis for that opinion is stated in Exhibit 17.

Schedules A to R are submitted below.

19. Applicant submits herewith—

(a) A certified copy of its articles of consolidation and by-laws, as amended to date;

(b) Preliminary opinion of counsel:

(c) Certified copy of resolutions of applicant's board of directors, adopted April 13, 1932, showing the authority of the officers to execute and deliver the application.

Applicant therefore requests a loan of $10,000,000 for the term and for the purposes specified above, to be made available on the dates indicated. Applicant has very carefully estimated its cash receipts and disbursements, and its requirements for the year are as set forth in Schedule R. If applicant's estimates are borne out by actual results for the remainder of the year 1932, the loan hereby applied for will suffice to enable applicant to go through the year without any additional financing. If conditions should be less favorable than as indicated by applicant's forecast, it will be necessary for applicant to make an additional application for its cash necessities to meet its fixed charges and other obligations maturing after September 1, 1932.

Respectfully submitted.

THE CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY,

By (Signed) J. E. GORMAN, *President*,

(Signed) CARL NYQUIST, *Secretary*.

SCHEDULE A.—*Statement of Rock Island Lines operated mileage as of February 29, 1932*

	First track	Additional main track	Yard tracks, sidings, etc.	Total
Owned solely by Rock Island Lines	7,702.29	423.92	2,744.19	10,870.40
Owned jointly by Rock Island Lines	9.43	6.36	71.96	87.75
Leased and operated solely by Rock Island Lines	105.97	----------	52.33	158.30
Leased and operated jointly	67.69	----------	34.23	101.92
Operated under trackage rights	456.88	195.81	312.67	965.36
Total, all tracks operated	8,342.26	626.09	3,215.38	12,183.73

Principal termini and other stations of the Rock Island Lines

TERMINI

Chicago, Illinois
Peoria, Illinois
Minneapolis, Minnesota
Denver, Colorado
Colorado Springs, Colorado
Tucumcari, New Mexico
Watertown, South Dakota
Sioux Falls, South Dakota
Keokuk, Iowa
Burlington, Iowa
Eunice, Louisiana
Memphis, Tennessee
St. Louis, Missouri
Teague, Texas
Hot Springs, Arkansas

OTHER STATIONS

Moline, Illinois
Rock Island, Illinois
Davenport, Iowa
Des Moines, Iowa
Cedar Rapids, Iowa
Kansas City, Missouri
St. Joseph, Missouri
St. Paul, Minnesota
Omaha, Nebraska
Wichita, Kansas
Topeka, Kansas
Amarillo, Texas
Fort Worth, Texas
Dallas, Texas
Oklahoma City, Oklahoma
Little Rock, Arkansas

Number of units of locomotives, freight cars, and passenger cars owned and leased, as of February 29, 1932

	Owned	Leased	Total owned and leased
Steam locomotives	1,403	----------	1,403
Other locomotives	1	----------	1
Freight cars	47,893	675	48,568
Passenger cars	1,086	55	1,141

SCHEDULE L.—*Rock Island Lines: Securities of other companies, owned, pledged, and unpledged as of February 29, 1932*

Class of security	Par value			Purpose pledged
	Owned	Unpledged	Pledged	
AFFILIATED COMPANIES				
Stocks:				
Arkansas & Memphis Railway Bridge & Terminal Company:				
Common	$200,000.00	$200.00	$199,800.00	Deposited with Trustee of Mortgage as further assurance of the performance of the operating agreement.
Preferred	550,000.00	550,000.00		
Atchison Union Depot & Railroad Company	9,000.00	9,000.00		
Belt Railway Company of Chicago, The	240,000.00	240,000.00		
Calumet Western Railway Company	108,000.00	108,000.00		
Consolidated Indiana Coal Company	100,000.00	100,000.00		
Crawford County Mining Company	51,000.00	51,000.00		
Denver Union Terminal Railway Company	5,000.00	200.00	4,800.00	Deposited with Trustee of Mortgage as further assurance of the performance of the operating agreement.
Galveston Terminal Railway Company	12,500.00	12,500.00		
Gasconade Railway Construction Company	50,000.00		50,000.00	Deposited with Central Hanover Bank & Trust Co., of New York, Trustee under C. R. I. & P. Ry. Co. First & Refunding Gold Bond Mortgage as additional security.
Gulf Construction Company	25,000.00	25,000.00		
Houston Belt & Terminal Railway Company	3,125.00	100.00	3,025.00	Deposited with Trustee of Mortgage as further assurance of the performance of the operating agreement.
Iowa Transfer Railway Company	16,100.00	16,100.00		
Joliet Union Depot Company	10,000.00	300.00	9,700.00	Deposited with Trustee of Mortgage as further assurance of the performance of the operating agreement.

SCHEDULE L.—*Rock Island Lines: Securities of other companies, owned, pledged, and unpledged as of February 29, 1932*—Continued

Class of security	Par value			Purpose pledged
	Owned	Unpledged	Pledged	
AFFILIATED COMPANIES—continued				
Stocks—Continued.				
Kankakee & Seneca Railroad Company	$5,000.00	$5,000.00		
Kansas City, Rock Island Railway Company	40,000.00	700.00	$39,300.00	Deposited with Central Hanover Bank & Trust Co., of New York, Trustee under C.R.I.&P. Ry. Co. First & Refunding Gold Bond Mortgage as additional security.
Kansas City Terminal Railway Company	183,333.34	500.00	182,833.34	Deposited with Trustee of Mortgage as further assurance of the performance of the operating agreement.
Keokuk Union Depot Company	20,000.00	20,000.00		
Leavenworth Depot & Railroad Company	50,000.00	50,000.00		
Minnesota Transfer Railway Company	7,000.00	7,000.00		
Missouri & Illinois Bridge & Belt Railroad Company	13,000.00	13,000.00		
Peoria & Bureau Valley Railroad Company	10,000.00	10,000.00		
Peoria Terminal Company	499,100.00		499,100.00	Deposited with Central Hanover Bank & Trust Co. of New York, Trustee under C.R.I.&P. Ry. Co. First & Refunding Gold Bond Mortgage, as additional security.
Railway Express Agency, Incorporated	(1)	(1)		
Rock Island-Frisco Terminal Railway Company	300,000.00	300,000.00		
Rock Island Improvement Company	103,000.00	103,000.00		
St. Joseph Union Depot Company	2,000.00	2,000.00		
St. Louis, Rock Island Terminal Railway Company	12,000.00	700.00	11,300.00	Deposited with Central Hanover Bank & Trust Co. of New York, Trustee under C.R.I.&P. Ry. Co. First & Refunding Gold Bond Mortgage, as additional security.

St. Paul Union Depot Company	103,600.00	103,600.00		
Terminal Railroad Association of St. Louis, Mo.	205,800.00	205,800.00		
Trinity & Brazos Valley Railway Company	152,000.00		152,000.00	Deposited with Chase National Bank of New York, Trustee, under a trust agreement dated Dec. 22, 1918, with the Colo. & Southern Ry. Co., pending delivery of one-half of capital stock and funded debt on May 1, 1935, of the T.&B.V. Ry. Co. now Burlington-Rock Island R.R. Co.
Union Terminal Company of Dallas, Texas	6,000.00		6,000.00	Deposited with Trustee of Mortgage as further assurance of the performance of the operating agreement.
Wichita Union Terminal Railway Company	33,333.33	200.00	33,133.33	Deposited with Trustee of Mortgage as further assurance of the performance of the operating agreement.
	3,214,891.67	1,933,900.00	1,280,991.67	
NONAFFILIATED COMPANIES				
American Automobile Corporation	400.00	400.00		
Cedar Rapids Auditorium Company	1,000.00	1,000.00		
Council Bluffs Auditorium Company	2,500.00	2,500.00		
Des Moines Coliseum Company	100.00	100.00		
Exchange Building Company, Memphis, Tenn.	(1)	(1)		
Farmers Co-Operative Telephone Association	30.00	30.00		
Henry County Telephone Company	50.00	50.00		
Kansas City Times Newspaper Company	6,400.00	6,400.00		
Kansas, Oklahoma & Gulf Ry. Co., preferred stock, Series "A"	600.00	600.00		
Kansas, Oklahoma & Gulf Ry. Co., preferred stock, Series "C"	3,900.00	3,900.00		
Memphis Cotton Exchange Realty Company, Common	(2)	(2)		

[1] This Company owns 22 shares out of 1,000 shares issued without par value, carried at a book cost of $2,200.00.
[2] This Company owns 25 shares without par value carried at a book cost of $1.00.
[3] This Company owns 20 shares without par value carried at a book cost of $1.00.

SCHEDULE L.—*Rock Island Lines: Securities of other companies, owned, pledged, and unpledged as of February 29, 1932*—Continued

Class of security	Par value			Purpose pledged
	Owned	Unpledged	Pledged	
NONAFFILIATED COMPANIES—continued				
Stocks—Continued.				
Memphis Cotton Exchange Realty Company, Preferred	$2,000.00	$2,000.00		
Minneapolis & St. Louis R. R. Co., scrip certificate	88.00	88.00		
Nebraska Central Railway Company	99,700.00	99,700.00		
Nebraska Construction Company	270,000.00	270,000.00		
St. Joseph Auditorium Company	5,000.00	5,000.00		
St. Joseph Interstate Fair & Live Stock Association	100.00	100.00		
	391,868.00	391,868.00		
Total, stocks	3,606,759.67	2,325,768.00	$1,280,991.67	
AFFILIATED COMPANIES				
Bonds:				
Kankakee & Seneca Railroad Company, General Mortgage, Series "A", 4½%	352,000.00	352,000.00		
Peoria Railway Terminal Company, First Mortgage, 4%	14,000.00	14,000.00		
Peoria Terminal Company, General Mortgage, 5%	1,000,000.00		1,000,000.00	Deposited with Central Hanover Bank & Trust Co. of New York, Trustee under C., R. I. & P. Ry. Co. First and Refunding Gold Bond Mortgage as additional security.
Rock Island Improvement Company, Blue Island Shops Gold Bonds, 5%	199,000.00	199,000.00		

Rock Island Improvement Company, Cedar Rapids Terminal Gold Bond, 5%.	369,732.99	369,732.99	----------	
Rock Island Improvement Company, Kansas City Terminal Gold Bonds, 5%.	392,838.08	----------	392,838.08	Deposited with Central Hanover Bank & Trust Co. of New York, Trustee under C., R. I. & P. Ry. Co. First and Refunding Gold Bond Mortgage as additional security.
Rock Island Improvement Company, Little Rock Mortgage Gold Bond, 5%.	278,492.49	278,492.49	----------	
Rock Island Improvement Company, Peoria Terminal Gold Bond, 5%.	290,247.86	290,247.86	----------	
Trinity & Brazos Valley Ry. Co., Receivers' Certificates of Indebtedness, 6%.	747,492.51	747,492.51	----------	
Trinity & Brazos Valley Ry. Co., First Mortgage, 5%	4,380,000.00	----------	4,380,000.00	Deposited with Chase National Bank of New York, Trustee under a Trust agreement dated Dec. 23, 1918, with the Colo. & Southern Ry. Co., pending delivery of one-half of capital stock and funded debt on May 1, 1935, of the T. & B. V. Ry. Co., now Burlington-Rock Island R. R. Co.
	8,023,803.93	2,250,965.85	5,772,838.08	
NONAFFILIATED COMPANIES				
City of Liberal, Kansas, Railroad Aid, 5% Bonds	20,000.00	20,000.00	----------	
Guaranty Title & Investment Co., Wichita, Kans., Installment Collateral Trust Bond, 5%.	682.50	682.50	----------	
	20,682.50	20,682.50	----------	
Total, bonds	8,044,486.43	2,271,648.35	5,772,838.08	

SCHEDULE L.—*Rock Island Lines: Securities of other companies, owned, pledged, and unpledged as of February 29, 1932*—Continued

Class of securily	Par value			Purpose pledged
	Owned	Unpledged	Pledged	
AFFILIATED COMPANIES				
Notes:				
Kansas City Terminal Railway Company, Various 5% and 6%	$112,631.74	$112,631.74		
Rock Island-Frisco Terminal Ry. Co., Demand, 5%	8,627.62	8,627.62		
	121,259.36	121,259.36		
NONAFFILIATED COMPANIES				
Crescent Coal Co., note dated Apr 1, 1930, due Dec. 31, 1939, 6%	590,409.08	590,409.08		
Wagner Assets Realization Corporation	43.19	43.19		
	590,452.27	590,452.27		
Total, notes	711,711.63	711,711.63		
NONAFFILIATED COMPANIES				
Miscellaneous:				
Various memberships, etc.	1,851.21	1,851.21		

SCHEDULE I.—*Rock Island Lines: Guaranties and suretyships, as of February 29, 1932*

Principal	Guarantors	Character, extent, and terms of such agreement or obligation	Extent of respondents contingent liability	The contingency whereupon such liability will become actual	Security taken by respondent to protect itself against such contingency
Arkansas & Memphis Railway Bridge and Terminal Company.[1]	C. R. I. & P. Ry., St. L. I. M. & S. Ry., and St. L. S. W. Ry.	$3,290,000 First Mortgage 5% Gold Bonds, due March 1, 1964.	$3,290,000	Failure of principal to pay.	Joint ownership and use of property.
Denver Union Terminal Railway Company.[1]	C. R. I. & P. Ry., C. B. & Q. R. R., C. & S. Ry., A. T. & S. F. Ry., D. & R. G. W. R. R., U. P. R. R.	$4,000,000 First Mortgage 4½% Gold Bonds, due March 1, 1964.	4,000,000	....do....	Do.
Galveston Terminal Railway Company.[1]	C. R. I. & P. Ry. and C. & S. Ry.	$1,051,000 First Mortgage 6% Gold Bonds, due March 1, 1938.	1,051,000	....do....	Do.
Joliet Union Depot Company [1]	C. R. I. & P. Ry., A. T. & S. F. Ry., and C. & A. R. R.	$372,000 First Mortgage 5% Gold Bonds, due June 1, 1944.	372,000	....do....	Do.
Kansas City Terminal Railway Company.[1]	C. R. I. & P. Ry., A. T. & S. F. Ry., C., M., St. P. & P. R. R., C. & A. R. R., U. P. R. R., Wab. Ry., C., B. & Q. R. R., Mo. Pac. Ry., St. L.-S. F. Ry., M.-K.-T. R. R., C. G. W. R. R., and K. C. So. Ry.	$50,000,000 First Mortgage 4% Gold Bonds, due January 1, 1960.	50,000,000	....do....	Do.
Peoria Railway Terminal Company (assumed by the Peoria Terminal Company).[1]	C. R. I. & P. Ry. Co.	$944,000 First Mortgage 4% Gold Bonds, due January 1, 1937.	944,000	....do....	Ownership of all capital stock and outstanding General Mortgage Bonds of Peoria Terminal Co.

[1] Guaranteed as to principal and interest.

SCHEDULE I.—*Rock Island Lines; Guaranties and suretyships, as of February 29, 1932*—Continued

Principal	Guarantors	Character, extent, and terms of such agreement or obligation	Extent of respondents contingent liability	The contingency whereupon such liability will become actual	Security taken by respondent to protect itself against such contingency
Rock Island-Frisco Terminal Railway Company.[1]	C., R. I. & P. Ry. and St. L.-S. F. Ry.	$3,390,000 First Mortgage 4½% Gold Bonds, due July 1, 1957.	$3,390,000	....do....	Joint ownership and use of property.
St. Paul Union Depot Company[1]	C., R. I. & P. Ry.; C., M., St. P. & P. R. R.; C. G. W. R. R.; C., St. P., M. & O. Ry.; No. Pac. Ry.; Gt. No. Ry.; M. & St. L. R. R.; C., B. & Q. R. R.; and M., St. P. & S. S. M. Ry.	$15,000,000 First & Refunding 5% Gold Bonds, due January 1, 1972.	15,000,000	....do....	Do.
Terminal Railroad Association of St. Louis.[1]	C., R. I. & P. Ry.; M.-K.-T. R. R.; C. & E. I. R. R.; Mo. Pac. Ry.; St. L.-S. F. Ry.; C. & A. R. R.; B. & O. S. W. R. R., I. C. R. R.; St. L., I. M. & S. Ry.; Vand. R. R.; C., B. & Q. R. R.; Wab. Ry.; L. & N. R. R.; C., C., C. & St. L. Ry.; Sou. Ry. and St. L. S. W. Ry.	$31,700,000 General Mortgage Sinking Fund Gold Bonds, 4%, due January 1, 1953.	31,700,000	....do....	Do.
Union Terminal Railway Company (Dallas, Texas).[1]	C., R. I. & G. Ry.; G., C. & S. F. Ry.; T. & N. O. Ry.; M.-K.-T. of T. Ry.; St. L.-S. F. & T. Ry.; St. L.-S. W. of T. Ry.; T. & P. Ry.; and Ft. W. & D. C. Ry.	$5,000,000 First Mortgage 5% Gold Bonds, due April 1, 1942.	5,000,000	....do....	Do.

Wichita Union Terminal Railway Company.[1]	C., R. I. & P. Ry.; A., T. & S. F. Ry.; and St. L.-S. F. Ry.	$2,300,000 First Mortgage 4½% Gold Bonds, due November 1, 1941.	2,300,000	....Jo....	Do.
White & Black River Valley Railway Company.[2]	C., R. I. & P. Ry.....	$600,000 First Mortgage 5% Gold Bonds, due June 30, 1980.	[3] 30,000	....do....	Lease and operation of property for 80 years from July 1, 1900, at annual rental of $30,000.

[1] Guaranteed as to principal and interest.
[2] Guaranteed as to interest only.
[3] Interest per year.

* * * * * * *

EXHIBIT 17

Rock Island Lines—Detailed description of the security to be offered for the loan and opinion of applicant as to the value of collateral offered

The Chicago, Rock Island and Gulf Railway Company Extension First Mortgage	$6, 927, 000. 00
The Chicago, Rock Island and Gulf Railway Company Carrollton Branch First Mortgage	331, 000. 00
Kankakee and Seneca R. R. Co. General Mortgage Series "A" Bonds	352, 000. 00
Rock Island and Dardanelle Ry. Co. First Gold Bond Mortgage	100, 000. 00
Rock Island Memphis Terminal Ry. Co. Depot First Mortgage	900, 000. 00
Rock Island Memphis Terminal Ry. Co. Terminal First Mortgage	400, 000. 00
Rock Island Omaha Terminal Ry. Co. First Mortgage Bonds	600, 000. 00
Rock Island Improvement Company Blue Island Shops Mortgage	199, 000. 00
Rock Island Improvement Company Cedar Rapids Terminal Mortgage	369, 732. 99
Rock Island Improvement Company Little Rock Mortgage	278, 492. 49
Rock Island Improvement Company Peoria Terminal Mortgage	290, 247. 86
	10, 747, 473. 34

Applicant is of the opinion that the above securities are worth par. It bases this opinion upon the following facts:

All of the aforesaid collateral consists of first-mortgage bonds of paramount and only lien of subsidiary companies, and covers railroads and terminal properties in important cities, all used by and in the interest of The Chicago, Rock Island and Pacific Railway Company and essential to the operation of its railroad system. In all cases (except the Kankakee & Seneca P R. Co.) the bonds represent the entire issue outstanding, and do not exceed the

actual cost of the respective properties on which they are a lien; and in most cases are substantially less in amount than such cost.

* * * * * * *

EXHIBIT 19b

Preliminary Opinion of Counsel

NEW YORK, MAY 2, 1932.

To the Reconstruction Finance Corporation.

GENTLEMEN: The undersigned is General Counsel of The Chicago, Rock Island and Pacific Railway Company, applicant herein. He is familiar with the corporate powers of the applicant and is of the opinion that applicant is authorized to apply for the loan herein stated, and that when proper corporate action has been taken and the obligations executed, and security delivered as contemplated by the application, such obligations will constitute the valid and subsisting obligations of the applicant duly secured by a first and paramount lien on the same. He is also familiar with the collateral specified in Exhibit 17 hereto, and with the corporate procedure relating to its issue, execution, and delivery, and with the lien which the same purports to have. He is of the opinion that each of the said obligations specified in Exhibit 17 is a valid and subsisting obligation of the maker thereof and constitutes a first and paramount lien on the property by which it purports to be secured.

Respectfully submitted.

MARCUS L. BELL,

General Counsel, The Chicago, Rock Island and Pacific Railway Company.

EXHIBIT 19c

Certified Copy of Resolution Adopted by the Board of Directors The Chicago, Rock Island and Pacific Railway Company at Meeting Held April 13, 1932

The Chairman stated that, on account of the continued decline in gross revenues, it would be necessary to provide funds during the year 1932 from outside sources, to enable the Company to meet maturing principal and interest obligations and to pay off a portion of its bank loans now aggregating $8,750,000; and that, on account of the constant decline in the bond market and the general business situation, it would be difficult, if not impossible, to obtain such funds, or any part thereof, through additional bank loans.

After discussion, it was,

On motion,

Resolved, That application be made, on behalf of this Company, to the Reconstruction Finance Corporation for a loan or loans in an amount not exceeding in the aggregate $10,000,000.00, to provide funds to enable the Company to meet its maturing principal and interest obligations up to and including September 1932, and to pay one-half of its present bank loans; that J. E. Gorman, President, or Marcus L. Bell, Vice President, or either of them, be and he hereby is authorized and directed to make, sign, verify, and file such application, on behalf of this Company and under its corporate seal, and such application as may be necessary to secure the approval of the Interstate Commerce Commission to such loan or loans, and to execute and deliver all agreements, documents, or other instruments, and to do and take all other acts and proceedings, on behalf of this Company, that may be necessary or

required in order to obtain such loan or loans. Such application shall include an offer to pledge as collateral for such loan or loans any securities now or that hereafter may be in the Company's treasury, upon such terms and conditions as may be approved by the Reconstruction Finance Corporation and by the Interstate Commerce Commission.

STATE OF ILLINOIS,
County of Cook, ss:

I, Carl Nyquist, Secretary of The Chicago, Rock Island and Pacific Railway Company, do hereby certify that the above and foregoing is a full, true, and complete extract from minutes of meeting of the Board of Directors of said Company, duly called and held in the City of New York, April 13, 1932, at which meeting a quorum of said directors was present and acted, as fully appears of record in my said office.

In witness whereof, I have hereunto set my hand and affixed the corporate seal of said The Chicago, Rock Island and Pacific Railway Company, at Chicago, Illinois, this 2nd day of May, A. D. 1932.

CARL NYQUIST,
Secretary The Chicago, Rock Island and Pacific Railway Co.

STATE OF ILLINOIS,
County of Cook, ss:

J. E. GORMAN makes oath and says that he is the President of The Chicago, Rock Island and Pacific Railway Company; that he has carefully examined each and all of the statements contained in the foregoing application; that they are true and correct to the best of his knowledge and belief; that the foregoing application is made with the approval and at the direction of the board of directors of said applicant, as appears by resolution adopted at a meeting

of said board, a certified copy of which is attached to the said application, said meeting having been held at the City of New York, N. Y., on the 13th day of April, 1932, and that he is the person who has been authorized by said board to execute the foregoing papers and any others which may be required in connection with the loan.

J. E. GORMAN.

Subscribed and sworn to before me, a Notary Public in and for the State and County above-named, this second day of May 1932.

W. J. GEDL.

My commission expires November 15, 1933.

REPORT AND CERTIFICATE OF INTERSTATE COMMERCE COMMISSION APPROVING LOAN OF $10,000,000 FROM RECONSTRUCTION FINANCE CORPORATION TO THE CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY

(184 I. C. C. 597; Finance Docket No. 9384)

Interstate Commerce Commission

Finance Docket No. 9384

The Chicago, Rock Island & Pacific Railway Company Reconstruction Loan

Submitted June 13, 1932. Decided June 15, 1932

Upon application, a loan of $10,000,000 to the Chicago, Rock Island & Pacific Railway Company by the Reconstruction Finance Corporation approved. Terms prescribed.

M. L. Bell, Thos. P. Littlepage, and *A. Rea Williams* for applicant.

Division 4, Commissioners Meyer, Eastman, Brainerd and Mahaffie.

By Division 4:

The Chicago, Rock Island and Pacific Railway Company, a railroad engaged in interstate commerce, and the principal carrier in a system of railroads known as the "Rock Island Lines", on May 5, 1932, submitted to us for our approval copies of an application to Reconstruction Finance Corporation, hereinafter referred to as the corporation, for a loan under the provisions of section 5 of the Reconstruction Finance Corporation Act.[1] Pursuant to the requirements of that act we have made due investigation of the application. The application was supplemented on May 19, May 24, and May 31, 1932, and as thus supplemented will be referred to hereinafter as the application. Statistical and other data which follow relate to the system, except where otherwise indicated.

THE APPLICATION

The applicant requests a loan of $10,000,000 for a term of three years from the respective dates of the several advances thereon.

The purposes of the loan and the dates upon which funds are required were stated to be as follows:

(a) To meet the payment of interest due on the obligations and on the dates shown below..... $4,621,519.50

[1] An act to provide emergency financing facilities for financial institutions, to aid in financing agriculture, commerce, and industry, and for other purposes. Approved January 22, 1932.

MAY 1, 1932

Applicant's 4½ percent convertible gold bonds	$725, 130. 00
Choctaw, Oklahoma & Gulf Railroad Company, 5 percent consolidated mortgage bonds	135, 275. 00
Applicant's short-term bank loans	40, 000. 00
	900, 405. 00

JUNE 1, 1932

Applicant's 5 percent, series L, equipment-trust notes	$92, 625. 00
Applicant's 4½ percent, Series Q, equipment-trust notes	284, 310. 00
Applicant's short-term bank loans	40, 000. 00
	416, 935. 00

JULY 1, 1932

Applicant's 4 percent, general-mortgage gold bonds	1, 231, 620. 00
Applicant's 4½ percent, series O, equipment-trust notes	162, 112. 50
Choctaw & Memphis Railroad Company, 5 percent first-mortgage bonds	88, 100. 00
Little Rock & Hot Springs Western Railroad Company, 4 percent first-mortgage bonds	9, 072. 00
White & Black River Valley Railway Company, 5 percent first-mortgage bonds	15, 000. 00
Applicant's 6 percent, series I, equipment-trust notes, due July 15	48, 600. 00
Applicant's short-term bank loans	40, 000. 00
	1, 594, 504. 50

AUGUST 1, 1932

Applicant's 4½ percent, series N, equipment-trust notes	72, 900. 00
Applicant's 4½ percent, series P, equipment trust notes	184, 275. 00

AUGUST 1, 1932—continued

St. Paul & Kansas City Short Line Railroad Company, 4½ percent, first-mortgage bonds	$225,000.00	
Applicant's short-term bank loans	40,000.00	
	522,175.00	

SEPTEMBER 1, 1932

Applicant's 4½ percent, series A, secured gold bonds	900,000.00	
Rock Island, Arkansas & Louisiana Railroad Company, 4½ percent, first-mortgage bonds	247,500.00	
Applicant's short-term bank loans	40,000.00	
	1,187,500.00	
(b) To meet one-half of the principal of the following bank loans on the due dates thereof		$4,375,000.00

MAY 19, 1932

First National Bank of Chicago	500,000.00	

AUGUST 1, 1932

Chase National Bank, New York	4,000,000.00	
New York Trust Company, New York	1,000,000.00	
Continental Illinois Bank & Trust Company, Chicago	2,500,000.00	
Harris Trust & Savings Bank, Chicago	500,000.00	
Mississippi Valley Trust Company, St. Louis, Mo	250,000.00	
	8,750,000.00	
(c) To meet, in part, principal of equipment-trust obligations maturing on various dates as indicated		1,003,480.50

JUNE 1, 1932

Series L	$285,000.00	
Series Q	468,000.00	
	753,000.00	

JULY 1, 1932		
Series O		$655,000.00
AUGUST 1, 1932		
Series N	360,000.00	
Series P	630,000.00	
	990,000.00	
Total loan		$10,000,000.00

One-half of the note due to the First National Bank of Chicago on May 19 has now been renewed to mature on August 1. The remainder of this note was discharged by the applicant at maturity. That part of the loan for 50 percent of the note so paid and the interest maturities in May is desired to replenish treasury cash expended for these purposes. Subsequent to the filing of the application the applicant advised that it would require at least $3,500,000 on or before July 1, instead of the amount shown in its original application.

If the proceeds of that part of the proposed loan to meet the principal of equipment-trust obligations be applied to such of those maturities as fall due in July and in August, a recapitulation of the applicant's requirements, assembled by dates is as follows:

May 1, interest		$900,405
May 19, bank loan		250,000
June 1, interest		416,935
July 1, interest	$1,594,504.50	
equipment notes	338,155.50	
		1,932,660
August 1, interest	522,175.00	
bank loans	4,125,000.00	
equipment notes	665,325.00	
		5,312,500
September 1, interest		1,187,500
Total		10,000,000

The applicant states that no agreement has been or will be made by it to pay any person, association, firm or corporation, either directly or indirectly, any commission or fee for or in connection with the loan applied for, and no such payments have or will be made by it.

The applicant also states it is unable to secure the needed funds, in whole or in part, from any banking source on account of the decline in the price of the applicant's securities which might be pledged therefor. It is our view that the question of the applicant's ability to procure funds through banking channels or from the general public is one committed by section 5 of the Reconstruction Finance Corporation Act primarily to the corporation.

The applicant shows that in the period of the last year it has borrowed upon its treasury collateral $8,750,000, and thereby reduced its collateral resources having established market value to a relatively small amount, but that it does have a considerable quantity of other securities which are valuable. The applicant is eligible to borrow from the Railroad Credit Corporation, an organization created to carry out the purposes of our decisions in *Fifteen Per Cent Case, 1931*, 178 I. C. C. 539, 179 I. C. C. 215, under its "Marshalling and Distributing Plan, 1931", but there is no other source of credit available to it.

The applicant has filed with the Railroad Credit Corporation an application for a loan of $4,621,519.50 to enable it to meet the fixed interest obligations due from May 1 to September 1, 1932, covered by the application here under consideration, and intends to apply for other loans to meet other interest maturities

after September 1 if conditions should require. The applicant is not inclined to press that application, and no loan by the corporation has been approved. While, to the extent that loans from that source may be obtained, the amount required of the Reconstruction Finance Corporation will be less, it is our view that we must now consider the application before us with a view to the possibility that the Reconstruction Finance Corporation will be the only source to which the applicant may look for substantial assistance during the remainder of the current year.

There are no unsettled financial transactions between the applicant and the United States. The former, however, has heretofore been before us as a borrower from the United States. In *Loan to Chicago, Rock Island & Pacific Ry.*, 65 I. C. C. 224 and 371, and 67 I. C. C. 569, we approved loans to the applicant of $2,000,000 and $7,862,000, respectively, under the provisions of section 210 of the transportation act, 1920, as amended, and of $1,568,540 to the National Railway Service Corporation for the benefit of, and payable serially with funds furnished by, the applicant. All of these loans were paid in full before maturity.

Transportation properties and operations

The applicant has also applied to us for authority to consolidate into its own line its various subsidiary and lessor lines. These subsidiaries and/or lessors consist of the St. Paul & Kansas City Short Line Railroad Company; Choctaw, Oklahoma & Gulf Railroad Company; Rock Island, Arkansas & Louisiana Railroad Company; Chicago, Rock Island & Gulf Railroad Company; Morris Terminal Railway Company; Peoria Terminal Company; Peoria, Hanna

City & Western Railway Company; Rock Island & Dardanelle Railway Company; Rock Island, Stuttgart & Southern Railway Company; Rock Island, Memphis Terminal Railway Company; and Rock Island Omaha Termial Railway Company. This matter has not yet been considered by us.

The applicant, over its own rails or those of its subsidiaries, enters such important Mississippi River gateways as Clinton, Davenport, and Keokuk, Iowa; St. Paul, Minnesota; St. Louis, Mo.; and Memphis, Tenn. It also enters the traffic centers at Chicago and Peoria, Ill; Cedar Rapids, Des Moines, and Council Bluffs, Iowa; St. Joseph and Kansas City, Mo.; Topeka and Wichita, Kans.; Little Rock, Ark.; Oklahoma City, Okla.; Omaha and Lincoln, Nebr.; Watertown and Sioux Falls, S. Dak.; Colorado Springs, Colo.; Tucumcari, N. Mex.; and Fort Worth and Dallas, Tex. Over a partially controlled subsidiary it has indirect access to the gulf ports of Houston and Galveston, Tex., and by trackage rights reaches Denver, Colo., and Minneapolis, Minn. It owns, or controls, a network of rail lines connecting these points and generally following the trends of traffic in the Middle West, though not always by the shortest route. It therefore lies in the channels of commerce in such a way that, with its numerous feeders, it must enjoy a reasonable participation in the general movement of freight and passenger traffic. Much of its property is in developing territory, and with any favorable change in the present trend of general business conditions it may reasonably be expected to show an upward trend in its earnings.

Most of the applicant's important main line mileage is laid with 80- to 110-pound rail, on treated

ties in a well ballasted roadbed. On December 31, 1931, the applicant owned 3,286.04 miles of main line, with some second, third, and fourth main track, and requisite industrial, yard, and side tracks. It owned 2,039.25 miles of branch lines with some second track and requisite industrial yard and side tracks appurtenant thereto. It operated 1,833.55 miles of main line leased from affiliated companies. Most of this mileage and the necessary second, industrial, yard, and side tracks was owned by companies controlled by the applicant. An additional 725.35 miles of main track were owned and operated as part of the system by controlled subsidiaries. In the foregoing classification there is a total of 7,884.19 miles of first main track, 403.55 of second main track, 14.97 of third main track, 2.90 of fourth main track, 410.06 of industrial track, and 2,406.39 of yard track and sidings. The applicant also owns a small mileage which it operates jointly with other companies, and operates under trackage rights over additional mileage owned by others.

On February 29, 1932, the applicant owned 1,494 locomotives, 47,893 freight-train cars, 1,086 passenger-train cars, and leased 730 additional units of freight and passenger equipment.

In the approximate order of their importance as producers of revenue in 1931, the principal commodities transported by the applicant and its system lines were petroleum oils, refined and all other gasolines, wheat, bituminous coal, cattle and calves, hogs, gravel and sand, wheat flour, lumber, shingles and lath, and building cement. Also ranking high in importance were fresh vegetables, oranges, and grapefruit. Under conditions more normal than existed in 1931, shipments of passenger automobiles, iron

and steel pipe and fittings, largely for oil-well development, and crude petroleum were prominent among the first ten producers of revenue.

Necessities of the Applicant

Of the interest maturities to be met by the applicant, those of the Choctaw which occurred in May were assumed by the applicant under the terms of a lease dated March 24, 1904, by virtue of which the Choctaw became a part of the Rock Island system; those of the Choctaw & Memphis Railroad Company had previously become an obligation of the Choctaw, which is guarantor of the interest under a lease of the former; those of the Little Rock & Hot Springs Western represent the interest upon $453,600 of the bonds under a mortgage subject to which the applicant purchased 25.81 miles of the railroad of the latter. The total issue of these last-named bonds outstanding is $1,140,000, the remaining $686,400 of the issue being guaranteed by the Missouri Pacific Railroad Company. The interest on the mortgage of the White & Black River Valley Railway Company also is guaranteed by the Choctaw under a lease dated July 1, 1900, and guaranteed by the applicant under its lease of the Choctaw of 1904.

The interest on the mortgage of the Short Line is guaranteed unconditionally by the applicant as to principal and interest under the terms of a lease of the property of the Short Line by the applicant effective November 1, 1913. The interest on the mortgage of the Louisiana also is guaranteed unconditionally under a lease to the applicant by the Louisiana of its property dated June 1, 1906. The remaining maturities for which the loan is desired are the direct obligations of the applicant. The interest on short-

term bank loans is a monthly obligation. The monthly interest fluctuates over or under $40,000 per month, but that is substantially the monthly amount of such obligation over a period of months.

The applicant estimated it would have a cash balance on June 1 of $1,597,000, although for a carrier which such extensive operations the balance is comparatively small. During June the applicant estimates that its necessary expenditures will so exceed its receipts as to cause a deficit in cash by the end of that month of $1,241,866. In the first part of July, however, there will exist a large demand for cash from sources other than operations although revenues during the remainder of that month are expected nearly to offset the early payments. From August until the end of 1932 the applicant's deficit in cash is shown to be cumulative. The cumulative effect of the demand for cash in excess of expected cash receipts, estimated according to the trend of recent traffic statistics, will more than consume the cash which was on hand at the close of May, together with the proceeds of the proposed loan, by the end of October. During October, November, and December other maturities of interest, equipment obligations, and other debts will occur which, even with the aid of the loan sought, would as now estimated, leave the carrier a cash deficit of $5,469,000 at the end of December. The need for the loan sought is clearly shown.

Security

As collateral security for the loan the applicant offers the following bonds:

Description	Principal amount
Chicago, Rock Island & Gulf Railway Company extension first mortgage	$6, 927, 000. 00
Chicago, Rock Island & Gulf Railway Company, Carrollton branch first mortgage	331, 000. 00
Kankakee & Seneca Railroad Company first mortgage, series A	352, 000. 00
Rock Island & Dardanelle Railway Company first mortgage	100, 000. 00
Rock Island Memphis Terminal Railway Company Depot first mortgage	900, 000. 00
Rock Island Memphis Terminal Railway Company Terminal first mortgage	400, 000. 00
Rock Island Omaha Terminal Railway Company first mortgage	600, 000. 00
Rock Island Improvement Company Blue Island Shops mortgage	199, 000. 00
Rock Island Improvement Company Cedar Rapids Terminal mortgage	369, 732. 90
Rock Island Improvement Company Little Rock mortgage	278, 492. 49
Rock Island Improvement Company Peoria Terminal mortgage	290, 247. 86
Total	10, 747, 473. 34

The applicant states that all of the aforesaid collateral consists of first-mortgage bonds representing the only existing liens upon railroad and terminal properties in important cities used by and in the interest of the applicant and essential to the operation of its railroad system. In all instances, except those of the Gulf and of the Kankakee & Seneca Railway Company, the bonds offered constitute the entire issue outstanding.

The extension first mortgage of the Gulf covers that portion of the carrier's property between Amarillo, Tex., and Hitchland, on the Texas-Oklahoma line, a distance of 107.47 miles. This line connects with the main line of the applicant from Tucumcari,

N. Mex., to Kansas City, Mo., at Liberal, Kans., and with the main line of the applicant from Memphis, Tenn., to Tucumcari, N. Mex., at Amarillo.

The Carrollton branch mortgage of the Gulf is a first lien upon 11.20 miles of the applicant's line between Irving and Carrollton, Tex., on the extension from Fort Worth to Dallas, and is part of the line giving the applicant a through route to Houston and Galveston.

In *Chicago, R. I. & P. Co.*, 24 Val. Rep. 709, we considered the value for rate-making purposes of all the property of the applicant and that of its subsidiaries. Therein we found such value of that property of the Gulf owned and used for common-carrier purposes to be $13,212,305; that owned, but not used, to be $620,101; and that owned which we classified as noncarrier to be $777,935. This was as of June 30, 1915. Since that date additions and betterments to the Gulf's property have been reported to us costing $10,879,380. The sum of these items is $25,489,721. Bonds of the Gulf now outstanding, including those offered for pledge, amount to $16,583,000.

The general mortgage of the Kankakee & Seneca is a first and only lien upon the entire property of that carrier, which operates 42.19 miles of railroad between Kankakee and Seneca, Ill., at which latter point it connects with the applicant's railroad. At present the line is being operated by the applicant as agent. It is controlled jointly by the applicant and the Cleveland, Cincinnati, Chicago & St. Louis Railway Company. The bonds offered represent half of the total issue of $704,000. No interest has been paid on these bonds by special arrangement between the owners and the issuing carrier.

The property of this carrier was valued by us for rate-making purposes as of June 30, 1915, in Kankakee & Seneca R. R. Co., 114 I. C. C. 455. We found such value for its owned property, including a small amount of land classified as noncarrier, to be $810,955. Since valuation date the carrier reported to us additions and betterments to the property so valued costing $86,704. If this amount be added to the value found the sum becomes $897,659.

The first mortgage of the Dardanelle matures December 1, 1934, and is the only lien upon 13.92 miles of railroad lying between Ola, on the main line of the applicant from Memphis, Tenn., to Tucumcari, N. Mex., and Dardanelle, both in the State of Arkansas. This is a branch-line mortgage. The property covered thereby was valued by us for rate-making purposes as of June 30, 1915, at $216,000. Since that date additions to the property costing a net sum of $18,329 have been reported to us.

The mortgages of the Memphis Terminal are liens against all the freight terminals of the applicant located in Memphis. This terminal property embraces 18.45 acres of land and improvements in Memphis, which point is reached over the tracks of the Arkansas & Memphis Railway Bridge & Terminal Company, of which the applicant is one of three proprietary owners. The owned and used property of the Memphis Terminal was valued by us for rate-making purposes as of June 15, 1915, at $700,000. Since that date net additions thereto aggregating $121,870 are reported to have been made. If these amounts be added together the sum is $821,870, which, however, is not the whole of the security for the $1,300,000 of terminal and depot bonds offered as part security for the loan.

The $400,000 of terminal bonds appear to constitute a lien against a substantial amount of property conveyed by the Memphis Terminal to the Arkansas & Memphis Railway Bridge & Terminal Railway Company, leased back to the vendor, and reported by us as property used but not owned by the applicant valued at $230,828 as of June 30, 1915. Subsequent net additions are not separately reported to us at this time.

The Omaha Terminal property, which underlies the Rock Island Omaha Terminal mortgage, consists of 10.76 acres of land improved for and used by the applicant as its freight terminal for Omaha, Nebraska. We have made no valuation of this property, but its cost, including improvements to December 31, 1931, as reported to us is $977,498.

The Rock Island Improvement Company's Blue Island shops mortgage under which the $199,000 of bonds was issued, is a lien against the property on which the applicant's shops and shop tracks are located at Blue Island, Ill., embracing 24.34 acres of land, all of which is utilized. That company's Cedar Rapids Terminal mortgage is a lien upon 9 acres of land in Cedar Rapids, Iowa, used as a location for the applicant's local freight house and tracks leading thereto and for various industrial concerns occupying portions of the land under lease. The property under the Little Rock mortgage of the Improvement Company embraces an industrial area of 422.87 acres in the southern outskirts of Little Rock, Ark., abutted by the applicant's main line. The Peoria Terminal mortgage has a lien against 5.83 acres adjacent to the applicant's main track in the City of Peoria, Ill., almost completely occupied by its freight depot and local delivery and assembly

tracks. In our valuation of the property of the applicant we found the value for rate-making purposes of the property of the Improvement Company leased to the applicant to be $8,228,000. Subsequent net additions to this leased property are reported to have cost an aggregate sum of $2,492,544.

There are now pledged or committed to be pledged as collateral security for $8,500,000 of bank loans, of which it is proposed to discharge 50 percent at maturity on August 1st with the proceeds of the loan, $12,390,000 of the applicant's first and refunding mortgage 4-percent bonds of 1934 and $17,608,000 of St. Paul & Kansas City Short-Line Railroad Company first mortgage 4½-percent bonds of 1941. The applicant makes no specific offer of the pledge of any of these securities. Our action herein will be conditioned upon the pledge with the corporation of one-half of those bonds upon the payment with the aid of the loan of a like proportion of the obligations for which they constitute the collateral security, and the extension of the remaining 50 percent of such obligations for terms not less than the term of the loan which we conditionally approve.

None of the securities which are offered as collateral for the loan are dealt in on any exchange, and there is, therefore, no established market value for them. The applicant's first and refunding mortgage bonds, however, since January 1, 1932, have been dealt in at prices ranging between 20 and 73. They sold at about 30 on June 8th. The Short-line bonds which are not actively dealt in, in the same period, ranged from 35, at which the last sale brought to our attention was made, to 60.

The applicant's first and refunding mortgage is a direct first lien upon 1,290 miles of road, and, subject

to other mortgages, is a lien upon 5,552 additional miles. Under this mortgage $104,470,000 of bonds are shown to have been outstanding in the hands of the public on December 31, 1931, and $56,582,000 to have been pledged as collateral for other issues and/or short-term loans.

The first mortgage of the Short Line is a direct first lien on 345 miles of road. Under this mortgage $16,521,265 of bonds were reported by the issuing company to have been outstanding on December 31, 1931, of which amount the applicant held $6,540,000, leaving $9,981,265 outstanding in the hands of the public. On January 27, 1932, in *St. Paul & K. C. S. L. R. Co. bonds*, 180 I. C. C. 309, we authorized the issue of $11,068,000 additional bonds under this mortgage, all of which passed into the possession of the applicant and are a part of the total of $17,608,000 of such bonds now pledged for bank loans. The value for rate-making purposes of the property of the Short Line and of the Keokuk & Des Moines Railway Company, subsequently merged, was found by us to be $11,880,000 as of December 15, 1915. Additions to these properties having a net cost of $11,787,742 are reported to have been made between the date of valuation and December 31, 1931.

In the 11-year period 1921–1931, the average of the results of operations was as follows:

Railway operating revenue	$131, 402, 468
Railway operating expenses	100, 321, 437
Railway operating ratio	(76. 3)
Net railway operating income	19, 014, 514
Nonoperating income	1, 030, 152
Gross income	20, 044, 666
Deductions from gross income (excluding interest)	459, 534
Available for interest	19, 585, 132
Interest	11, 683, 504

Thus the earnings have been 1.68 times the requirements for interest, and after dividends on preferred stock there remained average earnings of $6.05 per share on the applicant's common stock. During the period 1921 to 1929, inclusive, the carrier transferred approximately $33,000,000 from income to its profit and loss account after having paid dividends on preferred stock during each of those years and on common stock during the last three. The applicant's income declined in 1930 when general business began to subside and it failed by approximately $1,000,000 to earn dividends on its preferred and common stock. In 1931 it was able to meet its entire interest requirements from earnings with the aid of a comparatively small part of the accruals for depreciation. The record shows the applicant has expended substantial sums for both maintenance of way and equipment so that the property is now in safe condition for efficient operation. The condition of the property is reported to be such that maintenance expenses could be reduced considerably below the average of the 11-year period ended with 1931 without harmful result to the property or impairing the applicant's ability to meet the demands upon it for transportation service.

One reason for the applicant's present requirement for cash has been its effort to maintain normal business conditions by extensive equipment purchases in 1931. During that year it contracted to make the largest single equipment purchase ever made in its experience, which involved outlays of cash or commitments for the future aggregating $18,729,370.

Including all the property in the system of the applicant we have found the value for rate-making

purposes in *Chicago, R. I. & P. Ry. Co., supra*, to be $342,459,107. This total included approximately $750,000 of property belonging to carriers not wholly identified with the system and $8,809,983 of working capital. The value found was as of June 30, 1915, and since that date up to December 31, 1931, there have been reported to us net additions to the property costing $171,189,896. If the working capital allowance and property not owned by system lines be excluded from the final value as found and the reported additions included, the total becomes $504,090,000.

Excluding overlapping stocks and bonds of subsidiaries which are owned by carriers within the system, the system's capital structure, which may be compared to the foregoing total for property, consisted of $130,799,212 of capital stock and $317,372,895 of unmatured funded debt on December 31, 1931.

In 1927 and again in 1930 the applicant was able to negotiate extensive issues of securities aggregating $72,000,000. It confidently asserts that with a return of annual gross revenues to approximately $100,000,000, and with a continuance of economies effected since 1929, and the realization of the benefits of further economies expected to result from the proposed consolidation, it will be assured of sufficient net revenue to meet all necessary expenses, including present interest requirements and interest on the loan. In 1931 its gross revenues were $99,069,563 and the deficit after interest $386,545. The applicant estimates the gross revenues of a normal year would approximate $129,000,000. Its gross revenues have exceeded that sum in each of the last 11 years, except in 1922, 1930, and 1931, and in only 1931 were the revenues so low that applicant was unable to meet its

entire fixed charges out of its net income. Under all the circumstances, the applicant's existing acute financial situation must be viewed as temporary condition.

Conclusions

Upon investigation of the application, we conclude:

1. That we should approve a loan of $10,000,000 to The Chicago, Rock Island and Pacific Railway Company by the Reconstruction Finance Corporation, for a term to expire not later than March 1, 1934, to be advanced in installments as follows:

On or before June 15, 1932	$1, 500, 000
On or before July 1, 1932	2, 000, 000
On or before Aug. 1, 1932	5, 312, 500
On or before Sept. 1, 1932	1, 187, 500

the proceeds of such loan to be devoted to the purposes indicated in this report.

2. That the Reconstruction Finance Corporation will be adequately secured by the pledge of the following securities:

a. The Chicago, Rock Island & Pacific Railway Company first and refunding mortgage 4-percent bonds of 1934	$6, 435, 000. 00
b. St. Paul & Kansas City Short Line Railroad Company first-mortgage 4½-percent bonds of 1941	9, 154, 000. 00
c. The Chicago, Rock Island & Gulf Railway Company extension first-mortgage 5-percent bonds of 1960	6, 927, 000. 00
d. The Chicago, Rock Island & Gulf Railway Company Carrollton branch first-mortgage 6-percent bonds of 1937	331, 000. 00
e. Kankakee & Seneca Railroad Company general-mortgage, Series A, 4½-percent bonds of 2020	352, 000. 00
f. Rock Island & Dardanelle Railway Company first-mortgage 5-percent bonds of 1934	100, 000. 00
g. Rock Island Memphis Terminal Railway Company Depot first-mortgage 5-percent bonds	900, 000. 00
h. Rock Island Memphis Terminal Railway Company Terminal first-mortgage 5-percent bonds	400, 000. 00
i. Rock Island Omaha Terminal Railway Company first-mortgage 5-percent bonds	600, 000. 00

j. Rock Island Improvement Company Blue Island Shops mortgage bonds	$199,000.00
k. Rock Island Improvement Company Cedar Rapids Terminal mortgage bonds	369,732.99
l. Rock Island Improvement Company Little Rock mortgage 5-percent bonds	278,492.49
m. Rock Island Improvement Company Peoria Terminal mortgage 5-percent bonds	296,247.86

3. That, before any advance upon the loan is made, the applicant should deposit with the corporation an agreement of the holders of those obligations, or other evidence satisfactory to the corporation, that 50 percent of the bank loans herein described will be extended to a maturity date not earlier than the maturity date of the loan herein conditionally approved; and

4. That the applicant should be required to report to the Reconstruction Finance Corporation and this commission, within 30 days from the making of the several parts of such loan, the expenditure of the proceeds thereof for the purposes for which the loan is authorized.

An appropriate certificate of approval will be issued.

[Unreported]

Certificate

At a session of the Interstate Commerce Commission, Division 4, held at its office in Washington, D. C., on the 15th day of June, A. D. 1932

Finance Docket No. 9384

The Chicago, Rock Island & Pacific Railway Company Reconstruction Loan

Investigation of the matters and things involved in the application in this proceeding having been had, and said division having, on the date hereof,

made and filed a report containing its findings of fact and conclusions thereon, which report is hereby referred to and made a part hereof:

It is hereby certified, That this commission approves a loan of $10,000,000 to The Chicago, Rock Island and Pacific Railway Company by the Reconstruction Finance Corporation, to mature not later than March 1, 1934, under the provisions of the Reconstruction Finance Corporation Act and pursuant to the application filed in said proceeding, such loan to be advanced to said company in installments as follows:

On or before June 15, 1932	$1,500,000
On or before July 1, 1932	2,000,000
On or before Aug. 1, 1932	5,312,500
On or before Sept. 1, 1932	1,187,500

subject, however, to the following conditions:

1. That The Chicago, Rock Island and Pacific Railway Company pledge with the Reconstruction Finance Corporation as collateral security for said loan the following-described securities:

a. The Chicago, Rock Island and Pacific Railway Company first and refunding mortgage 4-percent bonds of 1934	$6,435,000.00
b. St. Paul & Kansas City Short Line Railroad Company first-mortgage 4½-percent bonds of 1941	9,154,000.00
c. The Chicago, Rock Island & Gulf Railway Company extension first-mortgage 5-percent bonds of 1960	6,927,000.00
d. The Chicago, Rock Island & Gulf Railway Company Carrollton branch first-mortgage 6-percent bonds of 1937	331,000.00
e. Kankakee & Seneca Railroad Company general-mortgage, series A, 4½-percent bonds of 2020	352,000.00
f. Rock Island & Dardanelle Railway Company first-mortgage 5-percent bonds of 1934	100,000.00
g. Rock Island Memphis Terminal Railway Company Depot first-mortgage 5-percent bonds of 1934	900,000.00
h. Rock Island Memphis Terminal Railway Company Terminal first-mortgage 5-percent bonds of 1934	400,000.00

i. Rock Island Omaha Terminal Railway Company first-mortgage 5-percent bonds of 1934	$600,000.00
j. Rock Island Improvement Company Blue Island Shops mortgage 5-percent bonds of 1934	199,000.00
k. Rock Island Improvement Company Cedar Rapids Terminal mortgage 5-percent bonds	369,732.99
l. Rock Island Improvement Company Little Rock mortgage 5-percent bonds	278,492.49
m. Rock Island Improvement Company Peoria Terminal mortgage 5-percent bonds	290,247.86

2. That, before any advance upon the loan is made, The Chicago, Rock Island and Pacific Railway Company deposit with the Reconstruction Finance Corporation binding commitments of the then holders of those obligations, or other evidence satisfactory to that corporation, that 50 percent of the bank loans referred to in said report aggregating $8,750,000 will be extended to a maturity date not earlier than the maturity date of the loan herein conditionally approved;

3. That The Chicago Rock Island and Pacific Railway Company agree with the Reconstruction Finance Corporation to apply the proceeds of the loan herein approved to the purposes designated in said report; and

4. That, within 30 days from and after the making of each advance upon the loan The Chicago, Rock Island and Pacific Railway Company notify, in writing, the Reconstruction Finance Corporation and this commission of the disposition of the proceeds thereof.

By the commission, division 4:

[SEAL] GEORGE B. MCGINTY, *Secretary*.

SUPPLEMENTAL REPORT AND ORDER OF THE INTERSTATE COMMERCE COMMISSION

(184 I. C. C. 735)

Interstate Commerce Commission

Finance Docket No. 9384

The Chicago, Rock Island and Pacific Railway Company reconstruction loan

Submitted June 22, 1932. Decided June 25, 1932

Upon application, modification of the purposes and conditions of a loan to the Chicago, Rock Island & Pacific Railway Company by the Reconstruction Finance Corporation approved. Previous report, 184 I. C. C. 597

M. L. Bell for applicant.

Supplemental report of the commission

Division 4, Commissioners Meyer, Eastman, Brainerd and Mahaffie

By Division 4:

On June 15, 1932, pursuant to an application filed, we approved a loan of $10,000,000 to The Chicago, Rock Island & Pacific Railway Company by the Reconstruction Finance Corporation under the provisions of section 5 of the Reconstruction Finance Corporation Act.

On June 22, 1932, the applicant filed a supplement to the application in which it requested that authority be granted to use the proceeds of the loan, when consummated, for the following purposes:

(1) To meet fixed interest obligations specified in the original application	$4,621,519.50
(2) To meet one-half the principal amount of bank loans maturing August 1, 1932	4,125,000.00
(3) To apply on account of maturing principal installments of equipment trust obligations	1,253,480.50
Total	10,000,000.00

In effect, the applicant requests that it be permitted to divert from that part of the loan originally approved by us for the payment of bank loans to that part for the payment of maturing equipment trust obligations the sum of $250,000, thereby eliminating from the application the item for a bank loan due the First National Bank of Chicago in the sum of $500,000. Eliminating this item, the aggregate amount of bank loans covered by the application is $8,250,000.

After further investigation, we find that paragraph 3 of our report of June 15, 1932, should be modified to read as follows:

> That before any advance upon the loan is made, The Chicago, Rock Island and Pacific Railway Company should deposit with the Reconstruction Finance Corporation binding commitments of the then holders of those obligations, or other evidence satisfactory to that corporation, that 50 percent of the bank loans aggregating $8,250,000 will be extended to maturity dates not earlier than the maturity date of the loan herein conditionally approved.

We further find that the proceeds of the loan should be expended solely for the purposes set forth in this supplemental report, and that other than as modified herein our report and certificate of June 15, 1932, should remain in full force and effect.

An appropriate order will be issued.

(Unreported)

Order

At a Session of the INTERSTATE COMMERCE COMMISSION, Division 4, held at its office in Washington, D. C., on the 25th day of June, A. D. 1932

Finance Docket No. 9384

The Chicago, Rock Island and Pacific Railway Company reconstruction loan

Further investigation of the matters and things involved in the application in this proceeding having been had, and said division having on the date hereof, made and filed a supplemental report containing its findings of fact and conclusions thereon, which report is hereby referred to and made a part hereof:

It is hereby ordered, That paragraph 2 of the certificate of this commission issued to the Reconstruction Finance Corporation under date of June 15, 1932, be, and it hereby is modified to read as follows:

2. That before any advance upon the loan is made, The Chicago, Rock Island & Pacific Railway Company deposit with the Reconstruction Finance Corporation binding commitments of the then holders of those obligations, or other evidence satisfactory to that corporation, that 50 per cent of bank loans aggregating $8,250,000 will be extended to maturity dates not earlier than the maturity date of the loan herein conditionally approved.

And it is further ordered, That except as herein specifically modified, said certificate dated June 15, 1932, shall be and remain in full force and effect.

By the commission, division 4.

[SEAL] GEORGE B. MCGINTY,
Secretary.

LETTER FROM MR. M. L. BELL, LAW DEPARTMENT, CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY, TO MR. OLIVER E. SWEET, DIRECTOR, BUREAU OF FINANCE, INTERSTATE COMMERCE COMMISSION, DATED JUNE 11, 1932

INTERSTATE COMMERCE COMMISSION.

I, George B. McGinty, Secretary of the Interstate Commerce Commission, do hereby certify that the

attached is true copy of letter dated New York, June 11, 1932, addressed to Mr. Oliver E. Sweet, Director, Bureau of Finance, Interstate Commerce Commission, Washington, D. C., signed M. L. Bell, which is now on file and of record in the office of this Commission.

In witness whereof, I have hereunto set my hand and affixed the seal of said Commission this 14th day of January, A. D. 1935.

[SEAL] GEORGE B. MCGINTY,
Secretary of the Interstate Commerce Commission.

(C., R. I. & P. Ry. Co.—Reconstruction Loan 184 I. C. C. 597-735; Finance Docket No. 9384)

THE CHICAGO, ROCK ISLAND AND
PACIFIC RAILWAY COMPANY,
LAW DEPARTMENT, 25 BROAD STREET,
New York, June 11, 1932.

Subject: Finance Docket No. 9384—Application of the C., R. I. & P. Ry. Co. for $10,000,000 loan from Reconstruction Finance Corporation.

Mr. OLIVER E. SWEET,
Director, Bureau of Finance,
Interstate Commerce Commission,
Washington, D. C.

DEAR SIR: Referring to conference yesterday between yourself and Mr. Haley, representing the Commission, and Mr. Nyquist and myself, representing the Railway Company, in the above matter:

1. SCHEDULE G

Herewith a revised Schedule G, as of today, showing the collateral pledged for the bank loans, which stand today at $8,500,000. The collateral pledged, including the Short Line bonds which we

are committed to deliver to the banks as soon as their issue is completed, stands as follows:

C., R. I. & P. First and Refunding Bonds	$12, 390, 000
St. P. & K. C. S. L. First Mortgage Bonds	17, 608, 000
Total	29, 998, 000

You will note that on the original Schedule G the par value of the bonds pledged for the $8,750,000 loans shown on that schedule was as follows:

C., R. I. & P. First and Refunding Bonds	$12, 265, 000
St. P. & K. C. S. L. First Mortgage Bonds	11, 736, 000
Total	24, 001, 000

The difference in these figures is the result of having to pledge additional collateral on account of the decline in the market price of our bonds. The Commission is familiar with the bond market situation.

The change in the amount of loans is the result of having to pay $250,000 of the First National Bank loan due May 19. The remainder was renewed, on condition that it be paid off at maturity, August 1. The facts are reflected in the Treasurer's report to the Commission, dated May 27, 1932.

If the Commission approves the loan to pay off $4,375,000 of the bank loans shown on Schedule G, we will pledge with the Commission all the collateral securing the First National Bank loan of $250,000, which will be paid in full, and one-half the collateral securing the other loans; so that the Commission will receive the following securities from the bank loans:

CRI&P First and Refunding Bonds	$6, 435, 000
StP&KCSL First Mortgage Bonds	9, 154, 000
Total	15, 589, 000
The value of these bonds at 30, which is the figure we discussed yesterday, is	4, 676, 700

The banks, as security for the remaining $4,125,000 of bank loans, will have the following:

CRI&P First and Refunding Bonds	$5, 955, 000
StP&KCSL First Mortgage Bonds	8, 454, 000
Total	14, 409, 000
Value at 30	4, 322, 700

2. OTHER COLLATERAL

The collateral offered in Exhibit 17 of the application is as follows:

C. R. I. & G. Extension First Mortgage Bonds	$6, 927, 000
C. R. I. & G. Carrollton Branch First Mortgage Bonds	331, 000
Kankakee & Seneca Genl. Mtge. Series A Bonds	352, 000
R. I. & D. First Mortgage Gold Bonds	100, 000
R. I. M. T. Depot First Mortgage Bonds	900, 000
R. I. M. T. Terminal First Mortgage Bonds	400, 000
R. I. O. T. First Mortgage Bonds	600, 000
R. I. Improvement Co. Blue Island Shops Mtge	199, 000
R. I. Improvement Co. Cedar Rapids Term. Mtge	369, 732
R. I. Improvement Co. Little Rock Mtge	278, 492
R. I. Improvement Co. Peoria Terminal Mtge	290, 247
Total	10, 747, 471

In addition, we have fundable improvements on various terminal and coal properties, as follows:

R. I. Improvement Co. Blue Island Car Shops	$627, 260
R. I. Improvement Co. Peoria Freight Terminal	80, 065
Rock Island Omaha Terminal Bonds	298, 352
R. I. Improvement Co.—Coal Estate	1, 136, 477
Consolidated Indiana Coal Co.—Coal Estate	779, 860
R. I. Improvement Co.—Chicago Term. Property	751, 587

Application will shortly be made to the Commission for the funding of the $298,000 Rock Island Omaha Terminal Railway Company's additions and betterments, and the corporate machinery is now in process for funding the Rock Island Improvement Company's expenditures and the Consolidated Indiana Coal Company's expenditures. We have also the capital stocks of terminal companies shown on

Schedule L, but these, of course, represent only a part of the capital stocks of the various terminal companies listed.

We have the following listed collateral now free in the treasury:

R. I. A. & L. First Mortgage Bonds	$2, 192, 000
C. R. I. & P. First and Refunding Bonds	1, 140, 000
	3, 332, 000

The discrepancy between Mr. Haley's figures and our figures as to the amount of Refundings and Short Line Bonds available for direct pledge to the Government loan arise from the fact that Mr. Haley's figures apparently included $2,068,000 Short Line Bonds shown on page 4 of my letter to you of May 24 as in process of issue. As pointed out in the third paragraph on that page, we were committed to pledge all the treasury bonds to protect existing bank loans, because at that time the market value of the collateral pledged for the bank loans was less than the face amount of the loans.

3. NECESSITY OF RETAINING BANKABLE COLLATERAL FREE IN TREASURY

We have urged you to allow us to retain free in the treasury the following bonds:

C. R. I. & P. First and Refunding Bonds	$1, 140, 000
R. I. A. & L. First Mortgage Bonds	2, 192, 000

We cannot overstate to you the importance of this matter. For an institution the size of the Rock Island to have in its treasury absolutely no bankable collateral is a situation that is fraught with danger. It is idle to say that we have the remaining collateral represented by Rock Island Improvement Company's unfunded expenditures, or that we can rely

on the pledge of our proportionate share of the stocks of the joint facility and terminal companies listed in Schedule L; for you well know that the banks in these times cannot or will not lend money on such collateral. It is true that our forecast indicates the necessity for additional borrowing in 1932, but, if business picks up even moderately, we will not have to do any borrowing. This forecast is a minimum, and is prepared for the sake of caution. With anything like a revival of traffic, our earnings will exceed the forecast. It is very important to us that we have in our treasury some free securities. We are ready to agree that, if the Commission will leave the above-mentioned bonds free in our treasury, we will use them only for the purpose of new borrowing, and will not pledge any part of the same as additional collateral for any existing loans, without at the same time pledging an aliquot part as further security for the loan sought in this application. If we must make an additional loan from the Reconstruction Finance Corporation, we will, of course, have these bonds available for such additional loan, if necessary.

4. TOTAL COLLATERAL FOR RECONSTRUCTION FINANCE CORPORATION LOAN

If the proposal made by Mr. Nyquist and myself yesterday is approved by the Commission, the Government's loan, when finally made in the sum of $10,000,000, will be secured as follows:

$6,435,000 C. R. I. & P. First and Refunding Bonds at 30	$1,930,500
$9,154,000 St. P. & K. C. S. L. First Mortgage Bonds at 30	2,746,200
Total listed collateral	$4,676,700
$10,747,471 collateral listed in Exhibit 17 (see paragraph 2 of this letter), at 75	$8,060,000

The Commission may also take, if it desires, any or all of the collateral of the subsidiary companies now in process of issue, as set forth in paragraph 2 of this letter.

5. ADEQUACY OF PROPOSED COLLATERAL

We are aware that the Reconstruction Finance Corporation Act requires that loans be fully and adequately secured, but this language must be construed in accordance with the situation which brought about the passage of the Act, which is entitled "An Act to Provide Emergency Financing Facilities", etc. If "fully and adequately secured" meant that the market values under the present emergency conditions should control the Commission, then there would have been no use whatever in enacting the legislation. The Act was passed to "aid in financing agriculture, commerce, and industry", which means, among other things, to aid railroads in getting loans on collateral which has a value behind it, but which, under present conditions, is not bankable.

Now, this collateral which we have offered in Exhibit 17 is, as pointed out in my letter to you of May 24, in every case a first lien either on lines of railway constructed under sanction of the Commission's orders (C. R. I. & G. bonds, for example), which recite that the public convenience and necessity require such construction; or, in the case of the collateral issued prior to the Transportation Act, it is secured by a first lien on terminal properties absolutely essential to the operation of applicant's properties.

As further pointed out in that letter, all of its collateral, with the exception of the Rock Island and

Dardanelle $100,000 bonds, was approved by the Commission as the basis for a loan under Section 210 of the Transportation Act, Certificate 945.

As I have said to you and Mr. Haley verbally and to Mr. Law of your office, this application represents an application by a carrier which is conservatively capitalized; has been carefully, efficiently, and economically operated, which has a great earning capacity as manifested by its results since 1920, which has been conservatively financed, all its financing from 1920 to 1927 having been done directly with the Government; and which has a valuation fixed by the Commission substantially in excess of its capitalization. This application offers the Commission (and I say it with all deference) an opportunity to take a firm and courageous stand in attempting to restore railroad credit. Nothing else would help so much as a constructive attitude on the part of the Commission in matters like this. If the Commission manifests faith in a carrier like the Rock Island, it will help greatly to restore that carrier's credit, but if the Commission, the guardian of that credit, has little faith, then the mountain that the carrier's faith must remove is a very large one indeed.

6. 1934 MATURITIES

You inquired yesterday what plans the company has made for the $126,470,000 maturities in 1934. You are referred to paragraph 9, on page 6, of my letter to you of May 24, and to Finance Docket No. 9410.

We have, naturally, not made any definite plans for selling securities or providing funds to meet these obligations, but we are laying the ground work for a new financial structure, in the hope that between

now and 1934 conditions will enable us to make some practicable plan for our financing them.

Yours truly,

(signed) M. L. BELL.

MLB'S

cc—Messrs. M. C. Kennedy, Carl Nyquist.

APPLICATION NO. II SUBMITTED TO INTERSTATE COMMERCE COMMISSION, FEBRUARY 28, 1933

(Finance Docket No. 9835.)

To the RECONSTRUCTION FINANCE CORPORATION:

The Chicago, Rock Island and Pacific Railway Company, hereinafter called the "applicant", applies for a three-year loan of $8,000,000, and shows:

1. The full corporate name of the applicant is THE CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY. It is a consolidated corporation, formed June 2, 1880, under the laws of Illinois and Iowa. Its charter was extended for a period of fifty years, from June 2, 1930.

2. The name, title, and address of the person with whom conferences or correspondence should be had with respect to this application are: Marcus L. Bell, Vice President and General Counsel, The Chicago, Rock Island and Pacific Railway Company, 25 Broad Street, New York, N. Y.

3. Applicant cannot secure the necessary funds, in whole or in part, from any other source. On account of the general business situation, none of applicant's banking connections is able or willing to provide the necessary funds.

4. Applicant consents to such examinations as the Corporation may require for the purpose of the act and/or that reports of examinations by constituted authorities may be furnished by such authorities to the Corporation upon request therefor.

5. No agreement has been made, or will be made, by the applicant to pay any person, association, firm or corporation, either directly or indirectly, any commission or fee for the loan applied for, and no such payments have been made, or will be made, by the applicant.

6. The purpose of the loan and the use to which it will be applied, and the date or dates on which the funds must be available to the applicant, are as follows:

Date due	Principal	Interest	Total	Payment desired
March 1st		$1,181,872	$1,181,872	February 28th.
April 1st	$188,000	2,383,200	2,571,200	March 31st.
May 1st		860,405	860,405	April 29th.
June 1st	753,000	437,769	1,190,769	May 31st.
July 1st	655,000	1,574,114	2,229,114	June 30th.
Totals	1,596,000	6,437,360	8,033,360	

7. Applicant has not existing financial relations with the United States as to—

(a) Loans made by the applicant, except loans aggregating $10,000,000 made to the applicant by the Reconstruction Finance Corporation during 1932, all of which loans mature March 1, 1934;

(b) Claims under Section 209 of the Transportation Act;

(c) Claims on account of deficits under Section 204 of the Transportation Act;

(d) Payments on account of excess net railway operating income under paragraph 6 of Section 15a of the Interstate Commerce Act. There are no proceedings before the Interstate Commerce Commission involving excess net railway operating income;

(e) And there are no other debits or credits existing between the applicant and the United States

other than mail pay, transportation of troops or income tax matters.

8. Applicant desires the entire amount of the loan for the full three-year term applied for, from and after the several dates on which the funds are made available as specified in Section 6 hereof.

9. A statement of the latest valuation placed by the Interstate Commerce Commission upon applicant's property, with aggregate net property changes to the latest date to which such changes have been reported to the Bureau of Valuation, is attached hereto as Exhibit 9.

10. No subsidiary or affiliated organization of the applicant, or any organization of which the applicant is a subsidiary, has applied for or received loans from the Reconstruction Finance Corporation.

The applicant has become a party to the Marshalling and Distributing Plan, 1931, of the Railroad Credit Corporation.

12. A comparative statement of the amounts paid to the Railroad Credit Corporation, derived from increases in freight rates under Ex Parte 103, is submitted as Exhibit 12.

13. A comparative monthly estimate of the revenues received and expected to be received from the increases in freight rates permitted by Ex Parte 103, is submitted herewith as Exhibit 13.

14. Applicant applied in 1932 for a loan of $4,621,519.50 from the Railroad Credit Corporation, to enable it to meet its fixed interest obligations maturing from May 1, 1932, to September 1, 1932, inclusive, but applicant has not received such loan. A copy of applicant's said application was attached as an exhibit to applicant's application to the Reconstruction Finance Corporation for the $10,000,000 referred

to in paragraph 7 (a) above. Applicant does not intend to apply for additional loans from the Railroad Credit Corporation.

15. A statement of the principal commodities carried and of the ten most important industries served, is attached hereto as Exhibit 15.

16. The particular facts upon which applicant relies as to its present and prospective ability to repay the loan and discharge its obligations in regard thereto are:

Applicant operates a railway system of approximately 8,000 miles, situated in fourteen states of the Middle West. For the entire period following the termination of Federal Control to the end of the year 1929, applicant earned its fixed charges, the dividends on its preferred stock and approximately $33,000,000 in excess of all dividends paid on its common stock. In 1930 applicant's earnings were sufficient to pay all of its fixed charges, full dividends on its preferred stock, and have left $5.56 per share available for dividends on its common stock. In 1931 applicant failed by approximately $386,000 and in 1932 by approximately $10,000,000 to earn its fixed charges; this was due entirely to the general business depression and applicant has confidence that when normal conditions return it will be able to restore its earnings to the basis existing prior to the depression. Applicant has made reductions in pay, force, and general expenditures as far as is consistent with the proper maintenance and operation of its properties, and is confident that with the material reduction in expenses, even a moderate improvement in business will produce net earnings sufficient to enable applicant to repay the entire loan.

17. A detailed description of the securities to be offered for the loan containing full information and data appropriate thereto is attached hereto as Exhibit 17. Copies of such documents relating to said securities as were not submitted with applicant's former application, are submitted herewith. The applicant's opinion as to the value of the collateral and the basis for that opinion is stated in Exhibit 17.

18. Schedules A to R are submitted herewith.

19. (*a*) A certified copy of applicant's Articles of Consolidation and By-Laws, as amended to date, was submitted with applicant's former application.

(*b*) Preliminary Opinion of Counsel is submitted herewith.

(*c*) Certified copy of resolutions of applicant's Board of Directors adopted January 11, 1933, showing authority of the officers to execute and deliver this application, is submitted herewith.

Applicant, therefore, requests a loan of $8,000,000 for the term and for the purposes specified above, to be made available on the dates indicated. Applicant has very carefully estimated its cash receipts and disbursements, and its requirements for the year are as set forth in Schedule R. If applicant's estimates are borne out by actual results for the remainder of the year 1933, the loan hereby applied for will suffice to enable applicant to go through the year without any additional financing.

Respectfully submitted.

[SEAL] THE CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY,

By (Signed) J. E. GORMAN, *President.*

(Signed) CARL NYQUIST, *Secretary.*

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MLB's.

cc–Messrs. J. B. EASTMAN,
EZRA BRAINERD, Jr.,
C. D. MAHAFFIE,
OLIVER SWEET.

Exhibit 19 (b)

Preliminary opinion of counsel

NEW YORK, *February 10, 1933.*

To the RECONSTRUCTION FINANCE CORPORATION.

GENTLEMEN:

The undersigned is General Counsel of the Chicago, Rock Island and Pacific Railway Company, applicant herein. He is familiar with the corporate powers of the applicant, and is of the opinion that applicant is authorized to apply for the loan herein stated, and that when proper corporate action has been taken and the obligations executed, and security delivered as contemplated by the application, such obligations will constitute the valid and subsisting obligations of the applicant duly secured by a first and paramount lien on the same. He is also familiar with the collateral specified in Exhibit 17 hereto, and with the corporate procedure relating to its issue, execution, and delivery, and with the lien which the same purports to have. He is of the opinion that each of the said obligations specified in Exhibit 17 is a valid and subsisting obligation of the maker thereof and constitutes a lien on the property of the nature and extent by which it purports to be secured.

Respectfully submitted.

(Signed) MARCUS L. BELL,
General Counsel, The Chicago, Rock Island and Pacific Railway Company.

Exhibit 19 (c)

The Chicago, Rock Island and Pacific Railway Company Resolution of Directors January 11, 1933

The Chairman stated that, by reason of the continued business depression existing throughout the country, the Company's income for 1933 would be insufficient to enable it to provide from earnings sufficient funds to pay all of its taxes and maturing equipment trust obligations, as well as its general vouchers; that, on account of the continued low prices of railway bonds generally, the Company would be unable to provide the necessary funds from the sale of treasury securities, and that it would be impossible to obtain such funds, or any part thereof, through additional bank loans.

After discussion, it was, on motion,

Resolved, That application be made, on behalf of this Company, to the Reconstruction Finance Corporation for a loan or loans in an amount not exceeding in the aggregate $8,000,000 to provide funds to enable the Company to pay its taxes and to meet maturing principal and interest obligations and unpaid vouchers during the year 1933; that J. E. Gorman, President, or Marcus L. Bell, Vice President, or either of them be and he hereby is authorized and directed to make, sign, verify and file such application, on behalf of this Company, and under its corporate seal, and such application as may be necessary to secure the approval of the Interstate Commerce Commission to such loan or loans, and to execute and deliver all agreements, documents, or other instruments, and to pledge as collateral for such loan or loans all the Company's right, title, or interest in all securities now pledged with the Reconstruction Finance Corporation, and all or any part of any securities that are now

or may hereafter be in the Company's treasury, and to do and take all other acts and proceedings, on behalf of the Company, that may be necessary or required to obtain such loan or loans.

STATE OF ILLINOIS,
County of Cook, ss:

I, Carl Nyquist, Secretary of The Chicago, Rock Island and Pacific Railway Company, do hereby certify that the above and foregoing is a full, true, and complete extract from minutes of meeting of the Board of Directors of said Company, duly called and held in the City of New York, January 11, 1933, at which meeting a quorum of said directors was present and acted, as fully appears of record in my said office.

In witness whereof, I have hereunto set my hand and affixed the corporate seal of said The Chicago, Rock Island and Pacific Railway Company, at Chicago, Illinois, this 10th day of February A. D. 1933.

[SEAL] (Signed) CARL NYQUIST,
Secretary The Chicago, Rock Island and Pacific Railway Company.

STATE OF ILLINOIS,
County of Cook, ss:

J. E. Gorman makes oath and says that he is the President of The Chicago, Rock Island and Pacific Railway Company; that he has carefully examined each and all of the statements contained in the foregoing application; that they are true and correct to the best of his knowledge and belief; that the foregoing application is made with the approval and at the direction of the board of directors of said applicant, as appears by resolution adopted at a meeting of said board, a certified copy of which is attached

to the said application, said meeting having been held at the City of New York, N. Y., on the 11th day of January, 1933, and that he is the person who has been authorized by said board to execute the foregoing papers and any others which may be required in connection with the loan.

(Signed) J. E. GORMAN.

Subscribed and sworn to before me, a Notary Public in and for the State and County abovenamed, this tenth day of February 1933.

[SEAL] (Signed) W. J. GEDL.

My commission expires November 15, 1933.

REPORT AND CERTIFICATE OF INTERSTATE COMMERCE COMMISSION APPROVING LOAN OF $3,718,700 FROM RECONSTRUCTION FINANCE CORPORATION TO THE CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY

Interstate Commerce Commission

(189 I. C. C. 522, Finance Docket No. 9835)

The Chicago, Rock Island & Pacific Railway Company Reconstruction Loan

Submitted February 28, 1933. Decided February 28, 1933

Upon Application for a Loan of $8,000,000 to the Chicago, Rock Island & Pacific Railway Company by the Reconstruction Finance Corporation a Loan of $3,718,700 Approved. Terms Prescribed

M. L. Bell, Thos. P. Littlepage, and *A. Rea Williams* for applicants.

Report of the Commission

Division 4, Commissioners Meyer, Eastman, Brainerd, and Mahaffie

By Division 4:

The Chicago, Rock Island & Pacific Railway Company, on February 7, 1933, filed an application requesting an additional loan from the Reconstruction Finance Corporation, hereinafter called the Finance Corporation, under the provisions of section 5 of the Reconstruction Finance Corporation Act, approved January 22, 1932, as amended and on February 28, 1933, filed amendment thereto. By the terms of that act, our approval is a condition precedent to the granting of loans to railroad companies. We have made the required investigation.

By our report upon a previous application in *Chicago, R. I. & P. Ry. Co. Reconstruction Loan*, 187 I. C. C. 597, we approved a loan of $10,000,000 on June 15, 1932, to be used for specified purposes and upon prescribed conditions. The applicant's property was therein described, and its financial structure and prior earnings discussed. This loan, made on various dates after the pledge of collateral security prescribed by us, has been fully consummated.

The application

By the amended application the applicant seeks a loan of $3,753,072 for a term of three years and asserts that due to the general business situation, none of its banking connections will provide the necessary funds, and that it is unable to procure them from any other sources. The applicant is a party to the "Marshalling and Distributing Plan, 1931" of the Railroad Credit Corporation, but has sought no

financial aid from that corporation other than that indicated in our previous report. No loan has been made to the applicant by that corporation.

This loan is sought to enable the applicant to meet, when due, the principal of and interest on equipment trusts and interest on mortgage bonds of the system. The indebtedness to which the funds will be applied and the dates when they are needed are shown to be as follows:

Principal	Interest	Total	Date due
.....	$1,181,872	$1,181,872	March 1, 1933.
$188,000	2,383,200	2,571,200	April 1, 1933.
$188,000	$3,565,072	$3,753,072	

The applicant states that no agreement has been or will be made by it to pay any person, association, firm or corporation, either directly or indirectly, any commission or fee for the loan applied for, and that no such payments have been or will be made. Other than the first loan from the Finance Corporation, the applicant has no existing financial relations with the United States. No liability by the applicant under paragraph (6) of section 15a of the interstate commerce act has been determined.

Necessities of the applicant

In our previous report we discussed the physical property and its valuation, the financial structure, and the prior earning of the applicant, so far as the information was then available. We also showed and discussed estimates of cash requirements and income of the applicant to the end of the year 1932.

Of the total loan now sought, $206,800 is for the payment of principal and interest of equipment trust

notes, $34,372 is for interest on existing corporation loans, and the remainder, $3,511,900, is to apply to the payment of interest on various bond issues of the applicant and its constituent lines. The loan with which to pay interest on the previous loan by the corporation to the applicant will not be approved.

Of the interest to be paid, $2,611,900 is for interest on bonds which mature in 1934 and possess a direct first lien upon 2,904.13 miles of road; and the remainder, $900,000, is to pay semiannual interest on an issue of notes secured by $45,000,000 of the applicant's first and refunding bonds.

The applicant now submits estimates of its income and cash receipts and disbursements for 1933. Based on similar estimates submitted at the time of the first application, it was expected that by the end of December, 1932, there would be a shortage of cash of $5,469,000. Notwithstanding the failure, by a substantial margin, to receive the revenues then estimated, the applicant entered 1933 with approximately $2,673,000 in cash. It is stated, however, that, at the close of business on February 28, 1933, the applicant will have on hand but $1,125,000 in cash against which there are payments of interest due on March 1, of $1,181,872, with payroll payments of $1,260,000 in from five to eight days thereafter. A deficit in cash or a default upon the applicant's obligations of substantial proportions will therefore exist, unless additional funds be secured. A forecast of cash receipts and disbursements submitted by the applicant covering the remainder of the year 1933 shows that without a loan the applicant's deficit in cash after March will continue and increase. The estimated need for cash in excess of expected receipts shows a cash deficit of $8,203,524 by the end of December.

If the loan be approved and advances made as requested, it appears that the applicant will enter May supplied with a cash working balance of $1,487,811. Thereafter, it will have deficits of substantial proportions. Included in the forecast of necessary disbursements for 1933 is the payment of $3,000,000 of unpaid vouchers and of $4,067,000 of equipment trust certificates.

In estimating its revenues for 1933 an increase of 5 percent in freight revenues over 1932 is anticipated. The applicant shows that before making the estimate, it conferred with large shippers in the territory served. From the information thus obtained it has concluded there will be a moderate improvement in the shipment of automobiles, perishable fruits and vegetables, grain, lumber, road-building materials, and livestock. The revenues from passenger and mail service, it is estimated, will be approximately 10 percent less in 1933 than in 1932. Express revenues for the two periods are expected to be about equal. In operating expenses a decrease on the whole is predicted. Expenses for maintenance of way and structures and maintenance of equipment have been budgeted to meet the necessities of safe and economic operation. Transportation expenses are estimated on the basis of service expected to be rendered, and all other expense accounts used in computing net railway operating income are based upon recent levels.

It is shown that on December 31, 1932, there was a surplus of 148 serviceable locomotives and 23,379 serviceable cars stored, all in good condition. On January 1, 1933, there were approximately twice as many bad order freight-train cars as on January 1, 1929, but the total was less than 10 percent of the total ownership. Passenger equipment was not in as good condition, 73 percent being in arrears for shop-

ping. Some maintenance on locomotives was deferred in 1932, but an increase in the expenditures is forecast for 1933, which will overcome such arrears.

In recent years the applicant substantially reduced its expenditure for maintenance. Nevertheless, it is asserted that the reduction in train mileage and in consequent wear and tear, the previous excellent condition of the property, and economies affected during the past three years, have enabled it to keep the property in satisfactory condition at substantially less expense.

Security

As collateral security for the loan, the applicant offers the immediate pledge of $1,140,000 of its first and refunding mortgage 4-percent bonds of 1934, $3,792,000 of Rock Island, Arkansas & Louisiana Railway Company first mortgage 4½-percent bonds of 1934, $306,000 of Rock Island-Omaha Terminal Railway Company first mortgage 5-percent bonds of 1934, $3,310,000 of Rock Island Improvement Company first and collateral mortgage 5-percent bonds of 1962, $747,492.51 of 6-percent receiver's certificates, issued by a former receiver of the Trinity & Brazos Valley Railway Company, the applicant's equity in $4,380,000 of Trinity & Brazos Valley first mortgage 5-percent bonds, and an assignment of its distributive share in the fund administered by the Railroad Credit Corporation. The pledge is also offered, as and when issued, of $259,000 of St. Paul & Kansas City Short Line Railroad Company first mortgage 4½-percent bonds of 1941 and $391,000 of the aforesaid bonds of the Louisiana company. Application for the issue thereof has been filed.

For the period from January to October 1932, inclusive, the applicant has paid to the Railroad

Credit Corporation the sum of $1,028,212.86 representing accruals from increases in rates authorized by us. For the period from November 1932 to March 1933 it is estimated that an additional amount of not less than $459,811.16 will be similarly paid.

In our previous report we discussed the mortgages under which the bonds of the applicant, of the Short Line and of the Omaha Terminal were issued, the character of the property covered thereby, and its value for rate-making purposes to the extent that the information was available. The bonds of the Louisiana proposed to be pledged are a part of a total issue of $15,183,000 which are or will be outstanding, and are a direct lien upon property which we valued for rate-making purposes at $10,750,000 as of June 30, 1915, to which net additions, aggregating $2,803,158 are reported to have been made up to December 31, 1931. The mortgage is shown to possess a first lien upon approximately 354 miles of road.

The new Improvement Company first and collateral mortgage bonds are issued under a new mortgage consolidating the existing mortgages and taking in all the properties of that company. The applicant does not indicate the precise nature or amount of property to be covered thereby.

The $4,380,000 of bonds of the Trinity (now the Burlington-Rock Island Railway Company) are owned by the applicant subject to their existing pledge under the refunding and extension (now the first) mortgage of the Colorado & Southern Railway Company. These bonds were acquired under an agreement between the applicant and the latter company, but delivery is delayed pending the maturity of said mortgage of the Colorado & Southern on May 1, 1935. Their delivery to the applicant on that date is assured under an escrow agreement of

December 23, 1918, secured by the pledge by the Colorado company of $4,190,000 of its refunding and extension mortgage bonds as surety for the performance of its obligation to deliver them. The foregoing represents one-half of the total issue of bonds of the Trinity, which however are subject to $1,492,470 of receiver's certificates outstanding against its property. The Trinity is the owner of 235.8 miles of mail line. In *Trinity & B. V. Ry. Co.*, 149 I. C. C. 301, we found the value for rate-making purposes as of June 30, 1916, of its property wholly owned and used, exclusive of working capital, to be $8,900,000.

The receiver's certificates of the Trinity which are offered for pledge are a part of the aforementioned $1,492,470 of such certificates which are outstanding.

Briefly reviewing some of the facts referred to in our previous report which are pertinent in the consideration of this case, it appears that the applicant operates a system of railways of approximately 8,000 miles, situated in 14 states of the middle west. For the entire period from the termination of Federal control to the end of the year 1929, the applicant earned its fixed charges, dividends on its preferred stock, and approximately $33,000,000 in excess of the dividends paid on its common stock. In 1930 the applicant's earnings were sufficient to pay all its fixed charges and full dividends on its preferred stock, leaving a substantial amount available for dividends on its common stock. In 1931 it failed by approximately $386,000 to earn its fixed charges, and in 1932 by approximately $10,000,000. The applicant asserts that this was due entirely to the general business depression and relies on its record to demonstrate its prospective ability to repay the loan. The applicant

asserts that it has made reductions in pay, force, and general expenditures, as far as is consistent with the proper maintenance and operation of its properties, and expresses confidence that a moderate improvement in business will produce net earnings sufficient to enable it to repay the entire loan. In the decade ending with 1930, the applicant had gross revenues averaging $134,635,758 per annum. In the same decade the applicant's operating expenses averaged $102,900,894, and the amount earned available for interest charges averaged about $21,000,000. The applicant's condensed income account, for 1932 and as it is now estimated for 1933, is shown to be as follows:

	1932 (actual)	1933 (estimated)
Railway operating revenues	$70,780,027	$72,680,128
Railway operating expenses	56,341,423	54,860,785
Railway operating income	8,525,472	11,801,343
Nonoperating income	1,474,427	1,508,303
Gross income	9,999,899	13,309,646
Deductions from gross income (exclusive of interest)	5,734,469	5,863,240
Amount available for interest	4,265,430	7,446,406
Interest requirement	14,222,231	14,195,102

The applicant has included nothing after March 31, 1933, in its income account or cash forecast on account of emergency freight rates under our decision in Ex Parte 103. Accruals prior to March 1 in the estimates are offset by payments to the Railroad Credit Corporation.

At the level of expenses existing when we previously considered the requirements of the applicant, it appeared that $100,000,000 of gross revenues would enable the applicant to meet all its fixed charges. Exclusive of depreciation and retirements of equipment, the applicant now estimates that additional gross revenues of approximately $7,500,000

over the estimate for 1933 shown above would be required to meet its fixed charges. Expense for depreciation and retirement of equipment accrued in the estimates for 1933 is $4,632,000.

The applicant's 1934 maturities

The record shows that in March and April 1934 the applicant will be required to meet an aggregate of $140,595,000 of maturing debt. This includes $14,125,000 of bank and corporation loans, $11,000,000 of Rock Island, Arkansas & Louisiana Railroad Company first mortgage bonds, due March 1, $11,000,000 of Burlington, Cedar Rapids & Northern Railway Company bonds, and $104,470,000 of the applicant's first and refunding 4 percent bonds. In addition, there are equipment trust notes amounting to approximately $4,255,000 to be paid on or before April 1, 1934. The applicant has applied to us for authority to unify its system so as to simplify the issue of a new mortgage with which to accomplish its refinancing.

Conclusion

We conclude:

1. That we should approve a loan of not to exceed $3,718,700 by the corporation, to be advanced to the applicant for terms to expire not later than March 1, 1934, and to be devoted to the purposes set forth in this report;

2. That before any advance upon the loan is made the applicant should pledge with the corporation, as collateral security for this and for previous loans to the applicant, the following securities:

(a) The Chicago, Rock Island & Pacific Railway Company first- and refunding-mortgage 4-percent bonds of 1934	$1, 140, 000. 00
(b) Rock Island, Arkansas & Louisiana Railroad Company first-mortgage 4½-percent bonds of 1934	3, 792, 000. 00

(c) Rock Island Omaha Terminal first-mortgage 5-percent bonds	306,000.00
(d) Rock Island Improvement Company first- and collateral-mortgage 5-percent bonds of 1962	3,310,000.00
(e) All of the right, title, interest, and claim of The Chicago, Rock Island & Pacific Railway Company in and to $4,380,000 of first-mortgage 6-percent bonds of 1935 of the Trinity & Brazos Valley Railway Company and $4,190,000 of refunding- and extension-mortgage 4½-percent bonds of the Colorado & Southern Railway Company, existing by virtue of an agreement between said Colorado & Southern Railway Company and The Chicago, Rock Island & Pacific Railway Company dated December 23, 1918.	
(f) Trinity & Brazos Valley Railway Company receiver's certificates (Matured)	$747,492.51

and before any advance upon the second part of the loan is made, by the pledge of all or such part as we may authorize of

(g) St. Paul & Kansas City Short Line Railroad Company first mortgage 4½ percent bonds of 1934, amount for which application is pending	$259,000.00
(h) Rock Island, Arkansas & Louisiana Railroad Company first mortgage 4½ percent bonds of 1934, amount for which application is pending	391,000.00

3. That the applicant should deposit with the corporation, as additional security for such loans, an assignment, in form satisfactory to that corporation, of its distributive share in the fund administered by the Railroad Credit Corporation under its "Marshalling and Distributing Plan, 1931;"

4. That the corporation will be adequately secured under these conditions; and

5. That the applicant should be required to notify the corporation and this commission, within thirty days from the date of each advance upon the loan, of the expenditure of the proceeds thereof for the purpose for which it is authorized.

An appropriate certificate of approval will be issued.

[Unreported]

Certificate

At a session of the Interstate Commerce Commission, Division 4, held at its office in Washington, D. C., on the 28th day of February, A. D. 1933

Finance Docket No. 9835

The Chicago, Rock Island & Pacific Railway Company Reconstruction Loan

Investigation of the matters and things involved in the application in this proceeding having been had, and said division having, on the date hereof, made and filed a report containing its findings of fact and conclusions thereon, which report is hereby referred to and made a part hereof:

It is hereby certified, That this commission approves a loan of not exceeding $3,718,700 to The Chicago, Rock Island and Pacific Railway Company by the Reconstruction Finance Corporation, to be advanced to said company for a term or terms to expire not later than March 1, 1934, and to be used for the purposes set forth in said report; subject, however, to the following conditions:

1. That before any advance upon this loan be made, The Chicago, Rock Island and Pacific Railway Company pledged with the Reconstruction Finance Corporation, as collateral security for said loan and for previous loans made to said company, the following described securities:

(a) The Chicago, Rock Island and Pacific Railway Company first- and refunding-mortgage 4-percent bonds of 1934	$1,140,000
(b) Rock Island, Arkansas & Louisiana Railroad Company first-mortgage 4½-percent bonds of 1934	3,792,000
(c) Rock Island Omaha Terminal Company first-mortgage 5-percent bonds	306,000

(*d*) Rock Island Improvement Company first- and collateral-mortgage 5-percent bonds of 1962..... $3,310,000

(*e*) All of the right, title, interest, and claim of The Chicago, Rock Island and Pacific Railway Company in and to $4,380,000 of first mortgage 6-percent bonds of 1935 of the Trinity & Brazos Valley Railway Company, and $4,190,000 of refunding- and extension-mortgage 4½-percent bonds of the Colorado & Southern Railway Company, existing by virtue of an agreement between said Colorado & Southern Railway Company and The Chicago, Rock Island and Pacific Railway Company, dated December 23, 1918.

(*f*) Trinity & Brazos Valley Railway Company Receivers' certificates (matured)..... 747,492.51

and before any advance upon the second part of the loan is made, by the pledge of all or such part as we may authorize of—

(*g*) St. Paul & Kansas City Short Line Railroad Company first-mortgage 4½-percent bonds of 1934, amount for which application is pending..... $259,000

(*h*) Rock Island, Arkansas & Louisiana Railroad Company first-mortgage 4½-percent bonds of 1934, amount for which application is pending..... 391,000

2. That The Chicago, Rock Island and Pacific Railway Company deposit with the Reconstruction Finance Corporation, as additional security for such loans, an assignment, in form satisfactory to that corporation, of its distributive share in the fund administered by the Railroad Credit Corporation under its "Marshalling and Distributing Plan, 1931;"

3. That The Chicago, Rock Island and Pacific Railway Company, within 30 days after the making of each advance upon the loan, notify, in writing, the Reconstruction Finance Corporation and this Commission of the expenditure of the proceeds thereof for the purpose for which authorized.

By the commission, division 4:

GEORGE B. MCGINTY,
Secretary.

[Seal]

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SUPPLEMENTAL APPLICATION NO. II SUBMITTED TO INTERSTATE COMMERCE COMMISSION, ----------

(189 I. C. C. 522; Finance Docket No. 9835)

Before the Reconstruction Finance Corporation

Application of The Chicago, Rock Island and Pacific Railway Company for a loan of $8,000,000

To the RECONSTRUCTION FINANCE CORPORATION:

The Chicago, Rock Island and Pacific Railway Company, applicant herein, applies for an additional loan of $2,500,000 to enable it to meet the following maturities of principal and interest:

June 1:		
Equipment Trust, Series L, principal	$285,000	
Equipment Trust, Series L, interest	78,375	
Equipment Trust, Series Q, principal	468,000	
Equipment Trust, Series Q, interest	263,250	
TOTAL, June 1		$1,094,625
July 1:		
General Mortgage 4% Bonds, due January 1, 1988, interest	1,231,620	
Choctaw & Memphis 5% Gold Bonds, 1949, interest	88,100	
Little Rock & Hot Springs Western 6% notes, interest	9,072	
Equipment Trust, Series O, principal	655,000	
Equipment Trust, Series O, interest	147,375	
July 15:		
Equipment Trust, Series I (Director General's No. 25), interest	32,400	
TOTAL, July		2,163,567
Grand Total, June and July		3,258,192

Applicant offers as additional collateral the following:

1. Collateral now pledged for $4,125,000 bank loans, due March 1, 1934:	
Chicago, Rock Island and Pacific First and Refunding 4's	$5,955,000
St. Paul & Kansas City Short Line 4½'s	8,454,000
Total	14,409,000
The equity in this collateral, based on market price as of May 25, 1933, over and above the amount of the loans was	1,470,012
2. Preferred stock, Arkansas & Memphis Railway Bridge and Terminal Company	550,000
3. Common stock, Belt Railway Company of Chicago	240,000

Applicant has submitted a statement of its current earnings and carloadings.

Applicant's cash on hand, as of May 26, 1933, was $2,100,740.92. Its unpaid vouchers were $3,417,000, a reduction during the last two months of approximately $700,000.

Applicant is of the opinion that, if this advance be made to it, the increased traffic and greatly improved conditions throughout the country will enable it to go through the remainder of the year 1933, down to January 1st, 1934, without further outside assistance.

With the assurance that the additional funds hereby applied for can be had by the end of June, applicant can, by deferring certain payments, meet the June 1st requirements.

Applicant respectfully requests a loan of the additional amount above specified for the reasons set forth in its original application herein.

Respectfully submitted.

THE CHICAGO, ROCK ISLAND AND
PACIFIC RAILWAY COMPANY,
By M. A. BELL, *Vice President.*

Dated at WASHINGTON, D. C.,
May 31, 1933.

LETTER FROM MR. M. L. BELL, LAW DEPARTMENT, CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY TO MR. B. H. MEYER, CHAIRMAN OF DIVISION FOUR, INTERSTATE COMMERCE COMMISSION, DATED JUNE 2, 1933. (C. R. I. & P. RAILWAY CO.—RECONSTRUCTION LOAN, 189 I. C. C. 522—FINANCE DOCKET 9835.)

INTERSTATE COMMERCE COMMISSION.

I, George B. McGinty, Secretary of the Interstate Commerce Commission, do hereby certify that the attached is true copy of letter dated New York, June 2, 1933, addressed to Hon. B. H. Meyer, chairman of Division Four, Interstate Commerce Commission, Washington, D. C., signed M. L. Bell, now on file and of record in Finance Docket No. 9835, Chicago, Rock Island and Pacific Railway Company Reconstruction Loan.

In witness whereof, I have hereunto set my hand and affixed the seal of said Commission this 17th day of January, A. D. 1935.

[SEAL] GEORGE B. MCGINTY,
Secretary of the Interstate Commerce Commission.

THE CHICAGO, ROCK ISLAND
AND PACIFIC RAILWAY COMPANY,
LAW DEPARTMENT,
25 Broad Street, New York, June 2, 1933.

M. L. BELL,
Vice President and
General Counsel.

Subject: Finance Docket No. 9835.

Hon. B. H. MEYER,
Chairman of Division Four,
Interstate Commerce Commission,
Washington, D. C.

MY DEAR MR. MEYER: Referring to your statement, at the conference of Mr. Brown and myself with Division Four, that the value of our proposed collateral was approximately $7,000,000.

Herewith is submitted a statement of the value of our pledged collateral at the closing market prices of yesterday. From this you will see that at these prices the value of the listed collateral pledged with the Reconstruction Finance Corporation is as follows:

$7,575,000 C. R. I. & P. Refunding 4s, at 28	$2,121,000
$9,374,000 St. P. & K. C. S. L. 4½s, at 47	4,405,780
$3,862,000 R. I. A. & L. 4½s, at 27½	1,062,050
	7,588,830

The equity in the collateral pledged for the bank loans, at yesterday's closing prices as shown by the enclosed statement, is $1,515,780, bringing the total up to $9,104,610.

To this must be added the distributive share of the Railroad Credit Corporation's funds, to which our contributions have been $1,431,000. While this is not a listed collateral, it certainly is an asset.

In addition to the foregoing we have pledged with the Reconstruction Finance Corporation unlisted

securities, representing investments at par in subsidiary companies, aggregating $19,490,965, and have offered additional securities of a similar nature aggregating $790,000. While there is no market for these securities, they certainly have a value. Even a price of 40 for these unlisted securities now pledged would place their value at approximately $7,800,000; and the Commission should bear in mind, what we have already stated in this proceeding, that it was our plan (subject to I. C. C. approval under Section 20a), on the execution of our new mortgage, to refund these unlisted securities into our new bonds so their availability as collateral would be greatly enhanced. If the Commission should approve an additional loan, it could insert in its order a condition requiring this refunding.

To summarize, our collateral presently offered to the Commission is as follows:

1. Collateral now pledged for loans aggregating $13,718,700:	
Listed collateral, as of June 1	$7, 588, 830
Unlisted collateral, at 40	7, 800, 000
Distributive share of Railroad Credit Corporation	1, 200, 000
2. Equity in bank loans	1, 515, 780
Total	18, 104, 610

This certainly appears to be adequate collateral, under the circumstances, for an additional advance of $2,000,000. In view of this showing, towards which you said the Division expressed itself to be in a receptive mood, I hope you will take a more favorable view of our application than was indicated yesterday. We are anxiously awaiting the result.

Yours truly,

(Sgd.) M. L. Bell.

PERTINENT SECTIONS OF THE BANKRUPTCY ACT, AS AMENDED.

Section 2 (7) (15) (20) of the Bankruptcy Act (July 1, 1898, c. 541, Sec. 2 (7) (15) (20), 30 Stat. 545; U. S. C. A., Title 11, Sec. 11 (7) (15) (20)):

> The courts of bankruptcy as defined in the previous chapter, * * * are hereby invested, within their respective territorial limits as established on July 1, 1898, or as they may be thereafter changed, with such jurisdiction at law and in equity as will enable them to exercise original jurisdiction in bankruptcy proceedings, * * * to * * * (15) make such orders, issue such process, and enter such judgments in addition to those specifically provided for as may be necessary for the enforcement of the provisions of this title; * * * (20) exercise ancillary jurisdiction over persons or property within their respective territorial limits in aid of a receiver or trustee appointed in any bankruptcy proceedings pending in any other court of bankruptcy. * * *

Section 57 (h) of the Bankruptcy Act (July 1, 1898, c. 541, Sec. 57 (h), 30 Stat. 560; U. S. C. A., Title 11, Sec. 93 (h)):

> The value of securities held by secured creditors shall be determined by converting the same into money according to the terms of the agreement pursuant to which such securities were delivered to such creditors or by such creditors and the trustee, by agreement, arbitration, compromise, or litigation, as the court may direct, and the amount of such value shall be credited upon such claims, and a dividend shall be paid only on the unpaid balance.

Section 60 (b) of the Bankruptcy Act (July 1, 1898, c. 541, Sec. 60, 30 Stat. 562; Feb. 5, 1903, c. 487,

Sec. 13, 32 Stat. 799; June 25, 1910, c. 412, Sec. 11, 36 Stat. 842) (U. S. C. A., Title II, sec. 96, subsection (b)) provides:

> (b) If a bankrupt shall have procured or suffered a judgment to be entered against him in favor of any person or have made a transfer of any of his property, and if, at the time of the transfer, or of the entry of the judgment, or of the recording or registering of the transfer if by law recording or registering thereof is required, and being within four months before the filing of the petition in bankruptcy or after the filing thereof and before the adjudication, the bankrupt be insolvent and the judgment or transfer then operate as a preference, and the person receiving it or to be benefited thereby, or his agent acting therein, shall then have reasonable cause to believe that the enforcement of such judgment or transfer would effect a preference, it shall be voidable by the trustee and he may recover the property or its value from such person. And for the purpose of such recovery any court of bankruptcy, as hereinbefore defined, and any state court which would have had jurisdiction if bankruptcy had not intervened, shall have concurrent jurisdiction.

Section 67 (d) and (e) of the Bankruptcy Act (July 1, 1898, c. 541, Sec. 67 (d) and (e), 30 Stat. 564, as amended by Act of June 25, 1910, c. 412, Sec. 12, 36 Stat. 842; U. S. C. A., Title 11, Sec. 107 (d) and (e)):

> (d) Liens given or accepted in good faith and not in contemplation of or in fraud upon the provisions of this title, and for a present consideration, which have been recorded according to law, if record thereof was necessary in order to impart notice, shall, to the extent of such present consideration only, not be affected by anything herein.

(e) That all conveyances, transfers, assignments, or incumbrances of his property or any part thereof, made or given by a person adjudged a bankrupt under the provisions of this Act and within four months prior to the filing of the petition, with the intent and purpose on his part to hinder, delay, or defraud his creditors, or any of them, shall be null and void as against the creditors of such debtor, except as to purchasers in good faith and for a present fair consideration; and all property of the debtor conveyed, transferred, assigned, or encumbered as aforesaid shall, if he be adjudged a bankrupt, and the same is not exempt from execution and liability for debts by the law of his domicile, be and remain a part of the assets and estate of the bankrupt and shall pass to his said trustee, whose duty it shall be to recover and reclaim the same by legal proceedings or otherwise for the benefit of the creditors. And all conveyances, transfers, or incumbrances of his property made by a debtor at any time within four months prior to the filing of the petition against him, and while insolvent, which are held null and void as against the creditors of such debtor by the laws of the State, Territory, or District in which such property is situate, shall be deemed null and void under this Act against the creditors of such debtor if he be adjudged a bankrupt, and such property shall pass to the assignee and be by him reclaimed and recovered for the benefit of the creditors of the bankrupt. For the purpose of such recovery any court of bankruptcy, as hereinbefore defined, and any state court which would have had jurisdiction, if bankruptcy had not intervened, shall have concurrent jurisdiction.

Section 70 (e) of the Bankruptcy Act (July 1, 1898, c. 541, Sec. 70, 30 Stat. 565; Feb. 5, 1903, c. 487,

Sec. 16, 32 Stat. 800) (U. S. C. A., Title 11, Section 110, subsection (e)) provides:

> (e) The trustee may avoid any transfer by the bankrupt of his property which any creditor of such bankrupt might have avoided, and may recover the property so transferred, or its value from the person to whom it was transferred, unless he was a bona fide holder for value prior to the date of the adjudication. Such property may be recovered or its value collected from whoever may have received it, except a bona fide holder for value. For the purpose of such recovery any court of bankruptcy as hereinbefore defined and any State court which would have had jurisdiction if bankruptcy had not intervened shall have concurrent jurisdiction.

Section 73 (47 Stat. 1467, U. S. C. A., Title 11, Sections 201).

> Additional Jurisdiction.—In addition to the jurisdiction exercised in voluntary and involuntary proceedings to adjudge persons bankrupt, courts of bankruptcy shall exercise original jurisdiction in proceedings for the relief of debtors, as provided in sections 74, 75, and 77 of this Act.

Section 74, sub-clauses (h), (m), (n), of the Bankruptcy Act (July 1, 1898, c. 541, Sec. 74. (h) (m) (n), as added by Act of March 3, 1933, c. 204, Sec. 1, 47 Stat. 1469–1470; U. S. C. A., Title 11, Sec. 202 (h) (m) (n)):

> (h) The terms of an extension proposal may extend the time of payment of either or both unsecured debts and secured debts the security for which is in the actual or constructive possession of the debtor or of the custodian or receiver, and may provide for priority of payments to be made during the period of extension as between secured and unsecured

creditors. It may also include specific undertakings by the debtor during the period of the extension, including provisions for payments on account, and may provide for supervisory or other control over the debtor's business or affairs during such period by a creditor's committee or otherwise, and for the termination of such period under certain specified conditions: *Provided*, That the provisions of this section shall not affect the allowances and exemptions to debtors as are provided for bankrupts under title 11, chapter 3, section 24, of the United States Code, and such allowances and exemptions shall be set aside for the use of the debtor in the manner provided for bankrupts.

* * * * *

(m) The filing of a debtor's petition or answer seeking relief under this section shall subject the debtor and his property, wherever located, to the exclusive jurisdiction of the court in which the order approving the petition or answer as provided in subdivision (a) is filed, and this shall include property of the debtor in the possession of a trustee under a trust deed or a mortgage, or a receiver, custodian, or other officer of any court in a pending cause, irrespective of the date of appointment of such receiver or other officer, or the date of the institution of such proceedings: *Provided*, That it shall not affect any proceeding in any court in which a final decree has been entered. In proceedings under this section, except as otherwise provided therein, the jurisdiction and powers of the court, the title, powers, and duties of its officers and, subject to the approval of the court, their fees, the duties of the debtor, and the rights and liabilities of creditors, and of all persons with respect to the property of the debtor and the jurisdiction of appellate courts shall be the same as if a voluntary petition for adjudication had been

filed and a decree of adjudication had been entered on the day when the debtor's petition or answer was filed and any decree of adjudication thereafter entered shall have the same effect as if it had been entered on that day.

(n) In addition to the provisions of section 11 of this Act for the staying of pending suits, the court, on such notice and on such terms, if any, as it deems fair and equitable, may enjoin secured creditors who may be affected by the extension proposal from proceeding in any court for the enforcement of their claims until the extension has been confirmed or denied by the court.

SECTION 77 OF THE BANKRUPTCY ACT

[July 1, 1898, ch. 541, Sec. 77 as added March 3, 1933, ch. 204, Sec. 1, 47 stat. 1474; 11 U. S. C. A. 205]

SEC. 77. (a) Any railroad corporation may file a petition stating that the railroad corporation is insolvent or unable to meet its debts as they mature and that it desires to effect a plan of reorganization. The petition shall be filed with the court in whose territorial jurisdiction the railroad corporation, during the preceding six months or the greater portion thereof, has had its principal executive or operating office, and a copy of the petition shall at the same time be filed with the Interstate Commerce Commission hereinafter called the commission: *Provided*, That when any railroad, although engaged in interstate commerce, lies wholly within one State, such proceedings shall be brought in the Federal district court within the State in which the railroad is located. The petition shall be accompanied by payment to the clerk of a filing fee of $100, which shall be in addition to the fees required to be collected by the clerk under other sections of this Act. Upon the filing of such a petition, the judge shall enter an order either approving it as properly filed under this section, if

satisfied that such petition complies with this section and has been filed in good faith, or dismissing it if not so satisfied. If the petition is so approved, the court in which such order approving the petition is entered shall, during the pendency of the proceedings under this section and for the purposes thereof, have exclusive jurisdiction of the debtor and its property wherever located. The railroad corporation shall be referred to in the proceedings as a "debtor". Any corporation, the majority of the capital stock of which having power to vote for the election of directors is owned, either directly or indirectly through an intervening medium, by any railroad corporation filing a petition as a debtor under this section, or substantially all of whose properties are operated by such a debtor under lease or operating agreement may file, with the court in which such other debtor had filed such a petition, and in the proceeding upon such petition under this section, a petition stating that it is insolvent or unable to meet its debts as they mature and that it desires to effect a plan of reorganization in connection with, or as a part of, the plan of reorganization of such other debtor; and thereupon such court shall have the same jurisdiction with respect to it, its property and its creditors and stockholders as the court has with respect to such other debtor. Creditors of any railroad corporation having claims or interests aggregating not less than per 5 centum of all the indebtedness of such railroad corporation as shown in the latest annual report which it has filed with the commission at the time when the petition is filed, may, if the railroad corporation has not filed a petition under this section, but subject to first having obtained the approval of the Interstate Commerce Commission, after hearing, upon notice to such railroad corporation, file with the court

in which such railroad corporation might file a petition under the provisions of this section, a petition stating that such railroad corporation is insolvent or unable to meet its debts as they mature and that such creditors propose that it shall effect a reorganization; upon such filing of such a petition copies thereof shall be filed with the commission and served by the petitioning creditors forthwith upon the railroad corporation; the railroad corporation shall, within ten days after such service, answer such petition; if such answer shall admit the jurisdiction of the court, that the claims of the petitioning creditors constitute the amounts necessary to entitle them to file such petition under this section, and that the railroad corporation is either insolvent or unable to meet its debts as they mature, the court shall, upon the filing of the recommendations of the commission in writing, enter an order approving the petition as properly filed under this section if satisfied that it complies with this section and has been filed in good faith, or disapprove it if not so satisfied; and if so approved the proceedings thereon shall continue with like effect as if the railroad corporation had itself filed a petition under this section; if such answer shall deny either the jurisdiction of the court or that the claims of the petitioning creditors constitute such necessary amounts or that the railroad corporation is insolvent or unable to meet its debts as they mature, the court shall summarily try the issues, and if after the filing of the recommendations of the commission in writing it shall find that the petition complies with this section, and has been filed in good faith, the court shall enter an order approving the petition as properly filed under this section, and the proceedings thereon shall continue with like effect as if the railroad cor-

poration had itself filed a petition under this section; otherwise the court shall dismiss the petition.

(b) A plan of reorganization within the meaning of this section (1) shall include a proposal to modify or alter the rights of creditors generally, or of any class of them, secured or unsecured, either through the issuance of new securities of any character or otherwise; (2) may include, in addition, provisions modifying or altering the rights of stockholders generally, or of any class of them; (3) shall provide adequate means for the execution of the plan, which may, so far as may be consistent with the provisions of sections 1 and 5 of the Interstate Commerce Act as amended, include the transfer or conveyance of all or any part of the property of the debtor to another corporation or to other corporations or the consolidation of the properties of the debtor with those of another railroad corporation, or the merger of the debtor with any other railroad corporation and the issuance of securities of either the debtor or any such corporation or corporations, for cash, or in exchange for existing securities, or in satisfaction of claims or rights, or for other appropriate purposes; and (4) may deal with all or any part of the property of the debtor. The term "securities" shall include evidences of indebtedness, either secured or unsecured, bonds, stocks, certificates of beneficial interest therein, and certificates of beneficial interest in property. The term "stockholders" shall include the holders of voting trust certificates. The term "creditors" shall, except as otherwise specifically provided in this section, include, for all purposes of this section and of the reorganization plan, its acceptance and confirmation, all holders of claims, interests, or securities of whatever character against the debtor or its property,

including claim for future rent, whether or not such claims, interests, or securities would otherwise constitute provable claims under this Act.

(c) Upon approving the petition as properly filed the judge (1) may temporarily appoint from a panel of standing trustees qualified for such service to be selected and designated in advance by the commission a trustee or trustees of the debtor's estate, who shall have all the title and, subject to the control of the judge and consistently with the provisions of this section, shall exercise all the powers of a trustee appointed pursuant to section 44 or any other section of this Act, and, subject to the judge's control and the jurisdiction of the commission as provided by the Interstate Commerce Act as amended, shall have the power to operate the business of the railroad corporation; (2) shall fix the amount of the bond of such trustee or trustees and require the debtor, the trustee, or trustees to give such notice as the order may direct to creditors and stockholders and to cause publication thereof to be made at least once a week for two successive weeks of a hearing to be held within thirty days after such appointment, at which hearing or any adjournment thereof the judge may make permanent such appointment, or may terminate it and may, in the manner herein provided for the appointment of trustees, appoint a substitute trustee or substitute trustees, and in the same manner may appoint an additional trustee or additional trustees, and shall fix the amount of the bond of the substitute or additional trustee or trustees; the trustee or trustees and their counsel shall receive such compensation as the judge may allow within a maximum approved by the commission; (3) may for cause shown, and with the approval of the commis-

sion, in accordance with section 20 (a) of the Interstate Commerce Act as amended, authorize the trustee or trustees to issue certificates for cash, property, or other consideration approved by the judge, for such lawful purposes and upon such terms and conditions and with such security and such priority in payments over existing obligations, secured or unsecured, as might in an equity receivership be lawful; (4) shall require the debtor, at such time or times as the judge may direct and in lieu of the schedules required by section 7 of this Act, to file such schedules and submit such other information as may be necessary to disclose the conduct of the debtor's affairs and the fairness of any proposed plan; (5) shall determine a reasonable time within which the claims and interests of creditors and stockholders may be filed or evidenced and after which no such claim or interest may participate in any plan except on order for cause shown; the manner in which such claims and interests may be filed or evidenced and allowed, and, for the purposes of the plan and its acceptance, the division of creditors and stockholders into classes according to the nature of their respective claims and interests; (6) shall cause reasonable notice of such determination, or of the dismissal of the proceedings, or the allowance of fees or expenses, to be given creditors and stockholders by publication or otherwise; (7) if a plan of reorganization is not proposed or accepted, or, if proposed and accepted, is not confirmed, within such reasonable time as the judge may, upon cause shown and after considering any recommendation which has been filed by the commission, allow, may dismiss the proceeding; (8) may, within such maximum limits as are fixed by the commission, as elsewhere provided in subdivision (f) of

this section, allow a reasonable compensation for the services rendered and reimbursement for the actual and necessary expenses incurred in connection with the proceeding and plan by officers, parties in interest, reorganization managers, and committees or other representatives of creditors or stockholders, and the attorneys or agents of any of the foregoing, and by such assistants as the commission with the approval of the judge may specially employ; and (9) may on his own motion or at the request of the commission refer any matters for consideration and report, either generally or upon specified issues, to one of several special masters who shall have been previously designated to act as special masters in any proceedings under this section by order of any Circuit Court of Appeals and may allow such master a reasonable compensation for his services.

The Circuit Court of Appeals of each circuit shall designate three or more members of the bar as such special masters whom they deem qualified for such services, and shall from time to time revise such designations by changing the persons designated or reducing or adding to their number, as the public interest may require: *Provided, however,* That there shall always be three of such special masters qualified for appointment in each circuit who shall in their respective circuits hear any matter referred to them under this section by a judge of any District Court. For all purposes of this section claims against a railroad corporation which would have been entitled to priority over existing mortgages if a receiver in equity of the property of the debtor had been appointed by a Federal court at the date of the filing of the petition hereunder shall be entitled to such priority, and holders of such claims shall be treated as a separate class of

creditors. If in any case in which the issues have not already been tried under the provisions of subdivision (a) of this section any of the debtor's creditors shall, prior to the hearing provided for in subdivision (c), clause (2) of this section, appear and controvert the facts alleged in the petition, the judge shall determine, as soon as may be, the issues presented by the pleadings, without the intervention of a jury, and unless the material allegations of the petition are sustained by the proofs shall dismiss the petition. Any creditor or stockholders shall be heard on the question of the permanent appointment of any trustee or trustees, the proposed recommendation, approval, or confirmation of any reorganization plan, and upon filing a petition for leave to intervene on such other questions arising in the proceeding as the judge shall determine. The debtor, or the trustees if appointed, shall within fifteen days or, upon cause shown, such other time as may be directed by the judge, prepare (1) a list of all known bondholders and creditors of, or claimants against, the debtor or its property, and the amounts and character of their debts, claims, and securities, and the last known post-office address or place of business of each creditor or claimant, and (2) a list of the stockholders of the debtor, with the last known post-office address or place of business of each. The contents of such lists shall not constitute admissions by the debtor or the trustees in a proceeding under this section or otherwise. Such lists shall be open to the inspection of any creditor or stockholder of, or claimant against, the debtor, during reasonable business hours, upon application to the debtor or trustees, as the case may be.

(d) Before creditors and stockholders of the debtor are asked finally to accept any plan of reorganization,

the Interstate Commerce Commission shall after due notice hold a public hearing at which the debtor shall present its plan of reorganization and at which, also, such a plan may be presented by the trustee or trustees, or by or on behalf of creditors of the debtor, being not less than 10 per centum in amount of any class of creditors. Following such hearing, the commission shall render a report in which it shall recommend a plan of reorganization (which may be different from any which has been proposed) that will, in its opinion, be equitable, will not discriminate unfairly in favor of any class of creditors or stockholders, will be financially advisable, will meet with the requirements of subdivision (g) of this section, and will be compatible with the public interest. In such report the commission shall state fully the reasons for its conclusions, and it may thereafter, upon petition for good cause shown, and upon further hearing if the commission shall deem necessary, modify any of its recommendations and conclusions in a supplemental report stating the reasons for such modification Thereafter the plan of reorganization recommended by the commission shall be submitted in such manner as the commission may direct to the creditors and stockholders of the debtor for acceptance or rejection, together with the report or reports of the commission thereon; and the commission may at the same time afford an opportunity to accept or reject any other plan of reorganization filed as in this subdivision (d) provided.

(e) A plan of reorganization shall not be finally approved by the commission until it has been accepted in writing and such acceptance has been filed in the proceeding by or on behalf of creditors holding two-thirds in amount of the claims of each class whose claims or interests would be affected by the plan,

and by or on behalf of stockholders of the debtor holding two-thirds of the stock of each class: *Provided, however,* That if adequate provision is made in the plan for the protection of the interests, claims, and liens of any class of creditors or stockholders in the manner provided in clauses (5) and (6) of subdivision (g) of this section, then the acceptance of the plan by such class of creditor or stockholders shall not be requisite to the approval of the plan: *And provided further,* That the acceptance of stockholders shall not be requisite to the confirmation of the plan if (1) the judge shall have determined (a) that the corporation is insolvent, or (b) that the interests of stockholders will not be adversely affected by the plan, or (c) that the debtor has pursuant to authorized corporate action accepted the plan, and its stockholders are bound by such acceptance. For the purposes of this section acceptance by a creditor or stockholder shall include acceptance in writing executed by him; or acceptance by his duly authorized attorney or committee acting under authority executed by him subsequent to the recommendation of the plan by the commission. Upon acceptance of the plan in accordance with the provisions of this subdivision (e) the commission may, without further proceedings, grant authority for the issue of any securities, assumption of obligations, transfer of any property, or consolidation or merger of properties, to the extent contemplated by the plan consistent with the purposes of the Interstate Commerce Act as amended. If the United States of America is directly a creditor or stockholder, the Secretary of the Treasury is hereby authorized to accept or reject a plan in respect of the interests or claims of the United States.

(f) If the plan recommended by the commission is accepted as provided in subdivision (e), (the commission shall thereupon certify the plan to the court together with its approval thereof and that the same has been so accepted, together with a report of the proceedings before it and its conclusions thereon. If the plan accepted as provided in subdivision (e) differs from the plan recommended by the commission it shall, upon acceptance, be submitted to the commission, which shall hear all interested parties upon such notice and subject to such rules and regulations as it shall prescribe. If after such hearing the commission determines that the accepted plan in its opinion is equitable and will not discriminate unfairly in favor of any class of creditors or stockholders; will be financially advisable; will meet the requirements of subdivision (g) of this section; and will be compatible with the public interest; the commission shall thereupon certify the plan to the court, together with its approval thereof and that the same has been duly accepted, and together with a report of the proceedings before it and its findings and conclusions thereon. The commission shall also, after hearing if necessary, fix the maximum compensation and reimbursement which may be allowed by the court pursuant to clause (8) of subdivision (c) of this section: *Provided,* That unless good and sufficient reasons appear therefor no allowance for fees or compensation shall be made to officers of corporations who have acted as managers or in any capacity in connection with the reorganization when such corporation had an interest in the matter. No plan of reorganization shall be confirmed in any proceeding under this section except upon the approval of the Interstate Commerce Commission certified to the court. If the

commission shall decline to issue such a certificate it shall file in the proceeding its decision, specifying the particular grounds upon which it bases its disapproval of the plan.

(g) Upon such approval by the commission, and after hearing such objections as may be made to the approved plan, the judge shall confirm the plan if satisfied that (1) the approved plan complies with the provisions of subdivision (b) of this section, is equitable and does not discriminate unfairly in favor of any class of creditors or stockholders; (2) all amounts to be paid by the debtor or by any corporation or corporations acquiring the debtor's assets, for services or expenses incident to the reorganization and cost of financing, have been fully disclosed and are reasonable, or are to be subject to the approval of the judge; (3) the offer of the plan and its acceptance are in good faith and have not been made or procured by any means or promises forbidden by this Act; (4) the approved plan provides for the payment of all costs of administration and other allowances made by the court, except that compensation or reimbursement provided for in subdivision (c), clause (8) of this section may be paid in securities provided for in the plan if those entitled thereto will accept such payment and the court finds such compensation reasonable; (5) the approved plan provides, with respect to stockholders of any class the acceptance of which is requisite to the confirmation of the plan, and who would not become bound by the plan under the provision of subdivision (h) of this section, and of which more than one-third have not accepted the plan, adequate protection for the realization by them of the value of their equity, if any, in the property of the debtor dealt with by the

plan either by a sale of the property at not less than a fair upset price, or by appraisal and payment in cash either of the value of their stock or, at the objecting stockholder's election, of the value of the securities, if any, allotted to such stock under the plan; (6) the plan provides with respect to any class of creditors, the acceptance of which is requisite to the confirmation of the plan, and who would not become bound by the plan under the provisions of subdivision (h) of this section, adequate protection for the realization by them of the value of their securities, liens, and claims, either (a) by the sale of such property subject to their liens, if any, or (b) by the sale free of such liens at not less than a fair upset price, and the transfer of such liens to the proceeds of such sale, or (c) by appraisal and payment in cash of either the value of such liens and claims or, at the objecting creditors' election, the value of the securities allotted to such liens and claims under the plan. Section 57, clause (h) of this Act shall be applicable to the appraisal of securities under this section, and the value of the unpaid balance shall be appraised as an unsecured claim; and (7) the debtor, and every other corporation issuing securities or acquiring property under the plan, is authorized by its charter or by applicable State or Federal laws, upon confirmation of the plan, to carry out the plan. In the case of a sale or appraisal under clause (5) or (6) of this subdivision (g) the court shall refer to the commission for its consideration and determination the amount to be fixed as the upset price and the appraisal of any securities.

(h) Upon such confirmation the provisions of the plan shall be binding upon (1) the corporation, (2) all stockholders if the judge shall have determined (a)

that the corporation is insolvent, or (b) that the interests of stockholders will not be adversely affected by the plan, or (c) that the debtor has, pursuant to authorized corporate action accepted the plan and its stockholders are bound by such acceptance, (3) all stockholders of each class of which two-thirds in amount shall have accepted the plan, (4) all creditors whose claims are payable in cash in full under the plan, (5) all creditors entitled to priority under subdivision (c) of this section, whose claims are not payable in cash in full under the plan, provided two-thirds in amount of such creditors shall have accepted the plan in writing filed in the proceeding, (6) all other unsecured creditors, provided two-thirds in amount of such creditors shall have accepted the plan in writing filed in the proceeding, and (7) all secured creditors of each class of which two-thirds in amount shall have accepted the plan. The confirmation of the plan shall discharge the debtor from its debts except as provided in the plan. Upon confirmation of the plan by the judge, the debtor and other corporations affected by the plan, or organized or to be organized for the purpose of carrying out the plan, shall, subject to the jurisdiction of the Commission, have full power and authority to put into effect and carry out the plan and the orders of the judge relative thereto, the laws of any State or the decision or order of any State authority to the contrary notwithstanding. In the event that the judge should disapprove the plan he shall file an opinion stating his reasons therefor.

(i) The provisions of sections 721, 722, 723, 724, and 725 of the Revenue Act of 1932 shall not apply to the issuance, transfers, or exchange of securities or filing of conveyances to make effective any plan of

reorganization confirmed under the provisions of this section.

(j) Upon the confirmation of the plan the property dealt with by the plan, when transferred and conveyed to the debtor or other corporation or corporations provided for by the plan, or if no trustee or trustees have been appointed when held by the debtor pursuant to the plan, shall, as the court may direct, be free and clear of all claims of the debtor, its stockholders and creditors, except such as may consistently with the provisions of the plan be reserved in the order confirming the plan or directing such transfer and conveyance, and the court may direct the trustee or trustees, or if there be no trustee or trustees the debtor, to make any such transfer and conveyance, and may direct the debtor to join in any such transfer or conveyance made by the trustee or trustees. Upon the termination of the proceeding a final decree shall be entered discharging the trustee or trustees, if any, making such provisions as may be equitable, and closing the case.

(k) If a receiver of all or any part of the property of a corporation has been appointed by a Federal or State court, whether before or after this amendatory Act takes effect, the railroad corporation may nevertheless file a petition or answer under this section at any time thereafter, but if it does so and the petition is approved the trustee or trustees appointed under the provisions of this section shall be entitled forthwith to possession of such property, and the judge shall make such orders as he may deem equitable for the protection of obligations incurred by the receiver and for the payment of such reasonable administrative expenses and allowances in the prior proceeding as may be fixed by the court appoint-

ing said receiver within maximum limits approved by the commission. If a receiver has been appointed by a Federal or State court prior to the dismissal under subdivision (c), clause (7), of a proceeding under this section, the judge may include in the order of dismissal appropriate provisions directing the trustee to transfer possession of the debtor's property within the territorial jurisdiction of such court to the receiver so appointed, upon such terms as the judge may deem equitable for the protection of obligations incurred by the trustee and for the payment of administrative expenses and allowances in the proceeding hereunder. For the purposes of this section the words "Federal court" shall include the district courts of the United States and of the Territories and possessions to which this Act is or may hereafter be applicable, the Supreme Court of the District of Columbia, and the United States Court of Alaska.

(l) In addition to the provisions of section 11 of this Act for the staying of pending suits against the debtor, such suits shall be further stayed until after final decree the judge may, upon notice and for cause shown, enjoin or stay the commencement or continuance of any judicial proceeding to enforce any lien upon the estate until after final decree.

(m) A certified copy of an order confirming a plan of reorganization shall be evidence of the jurisdiction of the court, the regularity of the proceedings, and the fact that the order was made. A certified copy of an order directing the transfer and conveyance of the property dealt with by the plan as provided in subdivision (j) of this section shall be evidence of the transfer and conveyance of title accordingly, and if recorded shall impart the same notice that a deed if recorded would impart.

(n) In proceedings under this section and consistent with the provisions thereof, the jurisdiction and powers of the court, the duties of the debtor and the rights and liabilities of creditors, and of all persons with respect to the debtor and his property, shall be the same as if a voluntary petition for adjudication had been filed and a decree of adjudication had been entered on the day when the debtor's petition was filed.

(o) No judge or trustee acting under this Act shall change the wages or working conditions of railroad employees, except in the manner prescribed in the Railroad Labor Act, or as set forth in the memorandum of agreement entered into in Chicago, Illinois, on January 31, 1932, between the executives of of twenty-one standard labor organizations and the committee of nine authorized to represent Class 1 railroads.

(p) No judge or trustee acting under this Act shall deny or in any way question the right of employees on the property under his jurisdiction to join the labor organization of their choice, and it shall be unlawful for any judge, trustee, or receiver to interfere in any way with the organizations of employees, or to use the funds of the railroad under his jurisdiction, in maintaining so-called company unions, or to influence or coerce employees in an effort to induce them to join or remain members of such company unions.

(q) No judge, trustee, or receiver acting under this Act shall require any person seeking employment on the property under his jurisdiction to sign any contract or agreement promising to join or to refuse to join a labor organization; and if such contract has been enforced on the property prior to the property

coming under the jurisdiction of said judge, trustee, or receiver, then the said judge, trustee, or receiver, as soon as the matter is called to his attention, shall notify the employees by an appropriate order that said contract has been discarded and is no longer binding on them in any way.

(r) The term "railroad corporation" as used in this Act means any common carrier by railroad engaged in the transportation of persons or property in interstate commerce, except a street, suburban, or interurban electric railway which is not operated as a part of a general railroad system of transportation or which does not derive more than 50 per centum of its operating revenues from the transportation of freight in standard steam railroad freight equipment.

(s) In proceedings under this section, claims for personal injuries to employees of a railroad corporation, and claims of personal representatives of deceased employees of a railroad corporation arising under State or Federal laws, shall be preferred claims against the assets of such railroad corporation in receivership or in reorganization as herein provided, such claims to be subordinate only to costs of administration of such receivership or reorganization.

Section 77B of the Bankruptcy Act (July 1, 1898, C. 541, Sec. 77B, as added by Act of June 7, 1934, C. 424, Sec. 1, 48 Stat. 912; U. S. C. A., Title 11, Sec. 207):

Subclause (a):

(a) * * * the court in which such order approving the petition or answer is entered shall, during the pendency of the proceedings under this section, have exclusive jurisdiction of the debtor and its property wherever located for the purposes of this section * * *

* * * * *

Subclause (c) (1):

(c) * * * (1) may, after hearing upon notice to the debtor and to such others as the judge may determine temporarily continue the debtor in possession or appoint a trustee or trustees of the debtor's estate, and shall require the debtor, or such trustee or trustees, if appointed, to give such notice as the order may direct to creditors and stockholders and to cause publication thereof to be made at least once a week for two successive weeks of a hearing to be held within thirty days after such appointment, or, if no such appointment, within thirty days after the approval of the petition or answer, at which hearing or any adjournment thereof, or at any subsequent hearing after notice, the judge may make permanent any such appointment, or terminate it and restore the debtor to possession, or, if no trustee has been appointed, may appoint a trustee or trustees, and may remove any such trustee or trustees and continue the debtor in possession or appoint a substitute trustee or trustees and may appoint an additional trustee or trustees;

Subclause (c) (2):

(c) * * * (2) * * * every such trustee * * * shall have all the title and shall

exercise, subject to the control of the judge and consistently with the provisions of this section, all the powers of a trustee appointed pursuant to section 44 of this Act * * *".

* * * * *

Subclause (c) (10):

(c) * * * the judge * * * (10) in addition to the provisions of section 11 of this Act for the staying of pending suits against the debtor, may enjoin or stay the commencement or continuation of suits against the debtor until after final decree; and may, upon notice and for cause shown, enjoin or stay the commencement or continuance of any judicial proceeding to enforce any lien upon the estate until after final decree * * *

* * * * *

Subclause (o):

(c) In proceedings under this section and consistent with the provisions thereof, the jurisdiction and powers of the court, the duties of the debtor and the rights and liabilities of creditors, and of all persons with respect to the debtor and its property, shall be the same as if a voluntary petition for adjudication had been filed and a decree of adjudication had been entered on the day when the debtor's petition or answer was approved.

EXCERPTS FROM CONGRESSIONAL DEBATES AND COMMITTEE REPORTS CONCERNING THE RAILROAD SECTION OF THE BANKRUPTCY ACT AND RELATED SUBDIVISION OF SECTION 74

Excerpts from House Committee Report (Report No. 1897, 72d Cong. 2d Sess. pp. 5, 6-7) of the Committee on the Judiciary:

"Section 76 is entitled 'Reorganization of Railroads Engaged in Interstate Commerce.' Railroads are at this time excluded from the operation of the bankruptcy law. The neces-

sity for the enactment of this section grows out of the present expensive, protracted, confusing, and inefficient administration of affairs of railroad companies engaged in interstate commerce in equity receiverships. The necessity for its immediate enactment results from the fact that at the present time many of the railroad organizations of the country confront the necessity of reorganization. They have reached the limit of their ability to borrow from the Reconstruction Finance Corporation. They must either reorganize under some arrangement such as is provided for by this section, or be administered in equity receiverships. The protracted period of such administration, the duplication of expense incident to ancillary receiverships, the waste, the opportunity for manipulation on the part of special groups, are too well known to require comment.

* * * * * *

"The commission is given the power to fix maximum compensation to reorganization managers, officers, parties in interest, committees, or other representatives of stockholders for services rendered and reimbursement for the actual and necessary expenses incurred in connection with the proceeding and plan.

"This should definitely put a stop to the wholesale plundering by reorganization managers, both by way of fees and for commissions covering new securities.

The section provides that where two-thirds of a class of creditors accept the plan, then the plan is binding upon that particular class of creditors and the minority must accept the new securities issued under the plan of reorganization. This is fair because all the minority of a particular class should expect is that a fair and equitable plan be devised, and if the plan is fair then all they are entitled to is equal participation in the

new securities. The bill provides adequate machinery for the development of a fair and equitable plan.

The Report of Mr. Hastings (Senate Report 1215, to accompany H. R. 14359 72d Cong. 2d Sess. pp. 4-5), referring to Section 74 of the Bankruptcy Act:

> There was a sincere effort made in the subcommittee to provide in this bill some safe relief for the debtor as against his secured creditors. Under normal conditions a proposal to affect in any way a secured creditor by any bankruptcy proceedings would be somewhat shocking. It is a well-known fact, however, that under the present bankruptcy law the Federal court has sufficient control over the estate of a bankrupt to prevent foreclosure of a mortgage and other like enforcement of liens until the court has disposed of the litigation before it. Bearing this in mind, the committee sought by legislative action to authorize the court to extend that authority, providing it be equitable and feasible. It distinctly provides, however, that such extension or composition shall not impair the lien of any secured creditor, but shall affect only the time and method of its liquidation.
>
> This does not go as far as some would like to go and under normal conditions it goes farther than others would be willing to go. It is believed, however, that a careful administration of the law will prevent it from working any great hardship upon the creditor and will at the same time enable many distressed debtors to recover somewhat from the shocking conditions which confront them.
>
> It will be observed that section (h) of the House bill in this respect has been modified so that it applies only to "secured debts, the security for which is in the actual or constructive possession of the debtor or of the custodian

or receiver." It was believed that if every form of collateral that was deposited as a security for a loan should be subjected to review by the court in any proceedings under this act that it could but result in a greater value of collateral being required by the person or institution granting the loan in the first instance. The tendency would be to further restrict credit.

Excerpts from Debates in the House (76 Congressional Record, Part 3, Page 2908):

Mr. SUMNERS of Texas. With regard to the railroad features of the bill—and I am touching only a few high spots—it is recognized, I believe, by everybody who understands the situation that many of the railroad companies must soon reorganize They must reorganize through equity receiverships or reorganize under some such proceeding as is provided in this bill. The general plan with regard to individuals, with regard to corporations which are not railroads, is identical except as it is required to be modified by reason of the difference in the character of the things being dealt with.

With regard to the plan for the reorganization of the railroads, and I am not speaking technically accurately, an effort has been made to utilize the organization and expert knowledge of the Interstate Commerce Commission, to assist the court, sitting as a court of bankruptcy, and in a sense relate the Interstate Commerce Commission to the court of bankruptcy much as a master in chancery is related to the court whose master he is.

* * * * *

76 Congressional Record, Part 3, Page 2916:

Mr. GREGORY. The story of the railroad reorganization in the United States is a very

sordid one, as we find it, to the advantage and power of certain financial groups in this country. I am for this bill because of the reorganization plan that is incorporated within it. Regardless of the rights of stockholders, of creditors, and of the public welfare, we have seen great railroad corporations wrecked in order to satisfy the greed of certain financial interests in this country. Under the provisions of this bill a safe and sane way is provided for the reorganization of these great railroad corporations.

* * * * *

76 Congressional Record, Part 3, Page 2917:

Mr. RAYBURN. Last year 122 railroads in the United States failed to earn their fixed charges. The condition is no better. It is inevitable that under the old law or under the new law, these railroads must pass through the mill. They must go through the wringer. There is not a question in the world about it. I believe, therefore, that in order to save confidence, in order to protect stockholders, in order to protect bondholders, in order to protect everyone who is a creditor of a railroad, and the public as well, we should pass this or some other legislation at the earliest possible hour, to put an end to these long-drawn-out, these expensive, these unnecessary, and, in many instances, these disgraceful receiverships that have happened in the past.

Some object that this bill substitutes the commission, an agent of the Congress, for the courts. As I understand it, it does nothing of the sort. All the proceeding is under the jurisdiction of the court and must have the court's approval before it becomes effective. This bill proposes to place the expert services of the Interstate Commerce Commission at the disposal of the court. Instead of having to

rely upon some master who would have to set up his own staff, and who would have no, or but little experience in these matters, the court would rely upon the Commission, which would act very much as a master would be required to do. The bill provides that the commission shall take off of the court all of the burden of holding hearings on the proposed plans of reorganization, of recommending a plan to creditors and stockholders who would be affected, of authorizing the issuance of securities and making orders conforming to the Interstate Commerce Act, and of submitting to the court a complete record on which it could determine whether or not, in fairness and justice to all concerned, a plan of reorganization acceptable to two-thirds of the creditors in amount for each class should be approved. If the court does not find that the plan acceptable to the creditors and to the Commission is equitable, the court will disapprove it. All of this looks toward prompt, equitable, and economical proceedings.

* * * * *

Excerpt from 76 Congressional Record, Part 3, Page 2923:

Mr. LA GUARDIA. In the first place, railroads are now exempted from the provisions of the bankruptcy law. When a railroad gets into financial difficulty a creditor applies for an equity receivership. We have had very sad experience with equity receiverships of railroads.

Extracts from Debates in the Senate, 76 Congressional Record, Part 5, Page 4880:

Mr. HASTINGS. As I have stated, I think the adoption of the section pertaining to the railroads is the more important of the two, and for two reasons. First, the railroads are

a public necessity; and secondly, they are not so readily adaptable to equity receiverships as are ordinary corporations. An equity receivership, as everyone knows, requires an ancillary receiver in every jurisdiction where the railroad corporation has property. In addition to that, the railroad must continue to be operated, and the operation under such a complicated scheme is frightfully expensive and necessarily less efficient.

The section proposed gives to the Federal court in the jurisdiction where the railroad has its principal offices, or where it has its domicile, control over the entire property of the railroad, regardless of where it may be located. This means that one receiver or one trustee is all it is necessary to appoint in order to control the whole operation of that particular road.

* * * * *

It has been pointed out that, under the present conditions, it is not possible for a railroad corporation to make any adjustment with any class of security holders because of its inability to get all of them to agree to the plan. It is well known that there are always some creditors who refuse to join in corporate reorganization, hoping and believing that they can thereby secure for themselves a greater amount for their holdings than is being given the group that is willing to make such readjustments.

Excerpt from 76 Congressional Record, Part 5, Page 4877:

Mr. HASTINGS. This section distinctly provides also that the terms of an extension proposal may extend the time of payment of either or both unsecured debts as well as secured debts, provided the security is in the actual or constructive possession of the debtor or of the custodian or the receiver.

Excerpt from 76 Congressional Record, Part 5, Pages 5106, 5107:

Mr. HASTINGS. After the bill had been voted out of the committee in the House, my recollection is, but before it passed the House, I took the bill, together with the measure which had been prepared by the Department of Justice, and submitted the whole question to the Interstate Commerce Commission, asking them to give to me, for the benefit of the Senate, their judgment regarding this legislation. They replied with a very long report, which was printed, with other criticisms and statements by other people relative to this subject, and is now a public document.

I want to call particular attention, however, to some of the things said by the Interstate Commerce Commission in that report. They state:

"We shall first consider the advantages over present procedure which the two bills have in common."

Referring to that which had been passed by the House and that which had been proposed by the Senate:

"As we see them, these advantages are as follows:

"1. The word 'receivership' is in ill repute and creates alarm among investors, but reorganizations can now seldom be accomplished except through receiverships. These bills would substitute a trusteeship, which would in practical effect be very like a receivership but would probably arouse less apprehension.

"2. The expense of so-called ancillary receiverships in different States or parts of the country, which are now frequently necessary, would be avoided.

"3. Creditors and stockholders would have a better opportunity to be heard in regard to appointments of the trustees than they now

have to be heard with respect to the appointment of receivers, due to the provision for a temporary appointment to be followed, after 30 days and a hearing, by a permanent appointment.

"4. The opportunity of creditors and stockholders to suggest and have considered a plan of reorganization different from that proposed by the reorganization managers would probably be somewhat better than at present, due to the fact that such an opportunity is provided for specifically in the bills.

"5. Since the bills provide that the plan, when adopted, shall be binding upon dissenting stockholders and unsecured creditors of any class which has accepted a plan (the House Bill extends this to secured creditors also), it is possible that reorganization could be accomplished without sale of the property. Even if there were a class or classes of non-accepting stockholders or creditors, a sale might be avoided if appraisal were adopted as the method of determining the cash value of their interests.

"6. The effect of the bills would probably be to expedite reorganization, in comparison with the process under receivership, although this is not certain."

In that connection I may say that since that was written we have consulted with the Interstate Commerce Commission, and think that we have made it quite certain that it could be done very much more quickly.

"7. Due to the specific authority given to the commission to fix at least a maximum for certain reorganization expenses, there would probably be a greater measure of control over these expenses than at present, although this is not certain, for reasons which are stated below.

"8. The commission would have more specific authority than at present to consider the equity of the plan, so far as the various classes of creditors and stockholders are concerned."

Excerpt from 76 Congressional Record, Part 5, Page 5128:

Mr. ROBINSON of Arkansas. One of the advantages of this plan is that it provides a uniform system for the reorganization of such railroads as may be insolvent. Without this legislation we will have just as many different plans of reorganization as there are railroads thrown into courts of equity. That of itself might or might not be a great disadvantage. Nevertheless it seems to me that it is preferable to provide a method which is uniform, so as to assure similar if not identical treatment for the creditors and stockholders of the various railroads that may find it necessary to take advantage of the act.

Another advantage is to be found in the diminished costs which will be incurred under this plan. We all know that under the system which has heretofore prevailed the costs of railway reorganizations have been enormous and in many instances excessive. Lacking any uniform procedure, prolonged litigation usually occurs and many of the assets which ought to go to the satisfaction of the claims of creditors have been absorbed in costs and attorneys' fees.

The third reason for the legislation is that it tends to promote prompt action respecting railroad reorganizations that are necessary.

Excerpt from 76 Congressional Record, Part 5, Page 5129:

Mr. ROBINSON of Arkansas. In the next place, certain items of expense are expressly

limited; and, in the third place, practically all fees allowable under the bill must be approved or recommended by the Interstate Commerce Commission. That will not only strengthen the idea of uniformity, so far as it ought to be strengthened, and prevent the allowance of extravagant or exorbitant costs and fees, but it will make sure that a body that knows exactly what service has been performed shall pass upon the compensation for the service.

Excerpt from 76 Congressional Record, Part 5, Page 5134:

Mr. SMITH. I do not consider that this bill will remedy the situation at all.

Mr. LONG. That is not the question. Is it not better than what we have now?

Mr. SMITH. No.

Mr. LONG. Why not?

Mr. SMITH. For the simple reason that this bill does not in my opinion touch or come anywhere near touching the solution of the problem which has brought about the present condition of the railroads.

Mr. LONG. I admit that, but the fact is that it is better by far, because it reduces expenses, simplifies the process, avoids receivership, lessens the time involved, causes less calamity, and, while it is not the solution which both the Senator and I would want, it is much better than what we have today.

Excerpts from Debates in the House on Concurrence in Senate Amendments, 76 Congressional Record, Part 5, Page 5356:

Mr. GOLDSBOROUGH. There are many Members who feel it was a great mistake to pass that part of the Reconstruction Finance Corporation act which helped the railroads; who feel the country would be much better

off if the railroads were now operating under receiverships. While I and other Members want to go along, if this is a railroad bill it will cause a great deal of hesitation. If it is a bill to keep the railroads running that are obviously insolvent, then I do not think we ought to pass it. I would like the gentleman to comment on that.

Mr. Sumners of Texas. May I make this suggestion to the gentlemen? I suppose no harm could be done by the statement being made on the floor of the House that there are a number of railroads in very acute distress. I believe it is recognized that those railroads will have to be reorganized in effect. They will have to be reorganized under some such plan as is provided in this bill, or reorganized under the plan that is now in operation. Gentlemen who are advised know that under the plan now in operation there is in this country a thing that amounts almost to a reorganization racket, and it is hoped, also, that under this plan it will very much expedite reorganization. Now, speaking of this being a railroad bill——

Mr. Goldsborough. I want to say that I was simply asking for information.

Mr. Sumners of Texas. Yes. I understand. To be candid about it, this is the situation: If those railroads begin to go into the hands of receivers now nobody knows what will happen to the insurance companies. Nobody knows how far that thing is going. The situation is regarded by the present administration, by Mr. Roosevelt and his associates, and I believe I may say it is regarded by members of the Interstate Commerce Commission and the committee dealing with railroads, as being a very serious situation.

Excerpt from 76 Congressional Record, Part 5, Page 5359:

> Mr. GARBER. The Government has loaned to the railroads $350,000,000 or more. What protection does this bill give the Government?
>
> Mr. PARKER of New York. It protects the Government just as much as the Government is protected now, no more and no less. But, as the gentleman from New York wisely said, your reorganizations, your receiverships have been tremendously expensive. Hundreds of millions of dollars have been paid out which can be saved if this bill is passed as it is.

Excerpt from 76 Congressional Record, Part 5, Page 5359:

> Mr. BRIGGS. I understand that much of this proposal for bankruptcy of railroads is to avoid receiverships and the expense incident thereto. Is there any safeguard to avoid the accumulation or allowance of huge fees by the Federal courts?
>
> Mr. DYER. Yes; that is one of the things that alone is worthy of the careful consideration of this House. There have been outrageous expenses involved in receiverships and in the reorganization of railroads. There is no doubt about that. This, in my opinion, will lessen the expense to a great extent, and these railroads, if they must be reorganized, can be reorganized without putting the stockholders and others to the great expense involved in previous cases.

PETITION FOR ORDER No. 35

Filed December 28, 1933

In the District Court of the United States for the Northern District of Illinois, Eastern Division

No. 53209

In the Matter of The Chicago, Rock Island and Pacific Railway Company, Debtor

Petition of Trustees Respecting Extension of Equipment Trust Maturities

And now come the Trustees and respectfully show to the Court:

1. Order No. 28, entered herein November 28, 1933, directed the Trustees to defer the payment of the rentals due December 1, 1933, under Equipment Trust Agreements of Debtor, Series L and Series Q, constituting the principal instalments of Equipment Trust Certificates maturing December 1, 1933, in the aggregate amount of $285,000 of Series L and $468,000 of Series Q, together with interest thereon.

Said Order further authorized the Trustees to negotiate with the Trustees of said Equipment Trusts and with the holders of the Certificates issued thereunder, for the extension of the said Equipment Trust Certificates due December 1, 1933, upon terms that would preserve the equipment for use in the operation of the trust estate.

2. Pursuant to said Order, the Trustees are now negotiating with the holders of Equipment Trusts, Series L and Series Q, for an extension of the maturities of said certificates due December 1, 1933.

3. Since entering into the discharge of their duties as Trustees, pursuant to Order No. 21, entered

November 22, 1933, the Trustees have given further study to the equipment trust obligations of the trust estate, and they believe it is feasible and practicable to enter into agreements with the holders of said obligations to extend all of the maturities of equipment trust obligations maturing during the period of a full year, that is, from December 1, 1933, to November 30, 1934, inclusive.

4. There are now outstanding the following Equipment Trust Certificates of The Chicago, Rock Island and Pacific Railway Company:

Series and date of Trust	Trustee	Amount of Certificates Originally Issued	Rate	Amount Now Outstanding	Maturity
			Per cent		
Series I, January 15, 1920.	Guaranty Trust Company of New York.	$8,117,250	6	$1,080,000	$540,000 Annually, January 15.
Series L, June 1, 1923.	The New York Trust Company.	8,550,000	5	2,850,000	$285,000 Semi-annually June 1; December 1.
Series M, October 1, 1924.	Marine Midland Trust Company of New York.	3,760,000	5	376,000	$188,000 Semi-annually April 1; October 1.
Series N, August 1, 1925.	The Chase National Bank of the City of New York.	5,400,000	4½	2,520,000	$360,000 Annually August 1.
Series O, July 1, 1927.	The Chase National Bank of the City of New York.	8,515,000	4½	5,895,000	$655,000 Annually July 1.
Series P, August 1, 1929.	The Chase National Bank of the City of New York.	9,450,000	4½	6,930,000	$630,000 Annually August 1.
Series Q, June 1, 1930.	The Chase National Bank of the City of New York.	14,040,000	4½	11,232,000	$468,000 Semiannually June 1; December 1.

5. Principal instalments of Equipment Trust Certificates maturing in the twelve months' period December 1, 1933, to November 30, 1934, with the interest due thereon by the terms of the trust agreements

(that is, if no extension of principal be made), are as follows:

Date	Series	Principal	Interest	Total
Dec. 1, 1933	L	$285,000	$71,250.00	$356,250.00
Dec. 1, 1933	Q	468,000	252,720.00	720,720.00
Jan. 1, 1934	O		132,637.50	132,637.50
Jan. 15, 1934	I	540,000	32,400.00	572,400.00
Feb. 1, 1934	N		56,700.00	56,700.00
Feb. 1, 1934	P		155,925.00	155,925.00
Apr. 1, 1934	M	188,000	9,400.00	197,400.00
June 1, 1934	L	285,000	64,125.00	349,125.00
June 1, 1934	Q	468,000	242,190.00	710,190.00
July 1, 1934	O	655,000	132,637.50	787,637.50
July 15, 1934	I		16,200.00	16,200.00
Aug. 1, 1934	N	360,000	56,700.00	416,700.00
Aug. 1, 1934	P	630,000	155,925.00	785,925.00
Oct. 1, 1934	M	188,000	4,700.00	192,700.00
Total		4,067,000		

6. Each of the Equipment Trust Agreements mentioned above contains provision whereby, in the event of default in the payment of amounts constituting the principal of or interest upon said certificates, the Trustee thereof may and, upon demand of a majority of the holders of the certificates, shall declare due the principal of the entire amount of certificates outstanding, and may seize the equipment, the title to which, by the terms of the trust agreement, remains in the Trustee thereof until after all of the certificates have been paid in full, with interest. The debtor, The Chicago, Rock Island Pacific Railway Company, has, however, a large equity in the equipment as represented by the amount of certificates already redeemed and paid.

In the judgment of the Trustees, the units of equipment covered by the several Equipment Trusts above set forth are necessary in the proper operation of the

trust estate, and steps should be taken, by negotiation or otherwise, to avert a loss of such equipment through default in the Trust Agreements. The Trustees cannot forsee clearly at this time that they will have funds in their hands to make the payments of principal and interest set forth above, and in order to protect their cash position regard it as desirable to negotiate with the holders of all of the said Equipment Trust Certificates for an extension of time for the payment of the principal instalments thereof, on terms that will preserve the equipment for use in the trust estate. By deferring a full year's maturities, there will be no discrimination between the holders of certificates of the respective series.

WHEREFORE, the Trustees pray that such Order may be entered herein as to the Court may seem proper.

FRANK O. LOWDEN,
JAMES E. GORMAN,
JOSEPH B. FLEMING,
Trustees.

STATE OF ILLINOIS,
County of Cook, ss:

JAMES E. GORMAN, being duly sworn, deposes and says that he is one of the Trustees whose names are subscribed to the foregoing petition; that he has read the said petition and knows the contents thereof; that the same is true to the best of his knowledge and belief; and that the said petition is filed in good faith.

JAMES E. GORMAN.

Subscribed and sworn to before me this 28th day of December 1933.

[SEAL] W. J. GEDL, *Notary Public.*

ORDER No. 35

Entered December 28, 1933

In the District Court of the United States for the Northern District of Illinois, Eastern Division

No. 53209

In the Matter of the Chicago, Rock Island and Pacific Railway Company, Debtor

Order Relating to Equipment Trust Maturities

On this day coming on to be heard the petition of the Trustees relative to equipment trust maturities of the Debtor, The Chicago, Rock Island and Pacific Railway Company, for the twelve months period between December 1, 1933, and November 30, 1934, and the Trustees appearing by Marcus L. Bell, W. F. Dickinson, and W. F. Peter, their solicitors, and the Court having heard the statements of counsel and being fully advised in the premises, it is

ORDERED,

1. That until the further order of this Court, the Trustees herein make no further payment on account of rentals, principal, interest or dividends due, or to become due, under any of the following Equipment Trust Agreements of the Debtor, The Chicago, Rock Island and Pacific Railway Company:

(1) Equipment Trust Agreement of January 15, 1920, Series I, with the Guaranty Trust Company of New York, as Trustee, under which there are now outstanding $1,080,000 of 6% Equipment Gold Notes.

(2) Equipment Trust Agreement and Lease of June 1, 1923, Series L, with The New York Trust Company, as Trustee, under which there are now outstanding $2,850,000 of 5% Equipment Trust Certificates.

(3) Equipment Trust Agreement and Lease of October 1, 1924, Series M, with The Marine Midland Trust Company of New York, as Trustee, under which there are now outstanding $376,000 of 5% Equipment Trust Certificates.

(4) Equipment Trust Agreement and Lease of August 1, 1925, Series N, with The Chase National Bank of the City of New York, as Trustee, under which there are now outstanding $2,520,000 of 4½% Equipment Trust Certificates.

(5) Equipment Trust Agreement and Lease of July 1, 1927, Series O, with The Chase National Bank of the City of New York, as Trustee, under which there are now outstanding $5,895,000 of 4½% Equipment Trust Certificates.

(6) Equipment Trust Agreement and Lease of August 1, 1929, Series P, with The Chase National Bank of the City of New York, as Trustee, under which there are now outstanding $6,930,000 of 4½% Equipment Trust Certificates.

(7) Equipment Trust Agreement and Lease of June 1, 1930, Series Q, with The Chase National Bank of the City of New York, as Trustee, under which there are now outstanding $11,232,000 of 4½% Equipment Trust Certificates.

2. That the Trustees be, and they hereby are, authorized and directed to negotiate with the Trustees of the said Equipment Trust Agreements and with the holders of the notes and certificates issued thereunder, for the formulation of a plan for the refinancing or deferring the payment of all notes or certificates of each of the said Series of Equipment Trusts maturing in the twelve months period from December 1, 1933, to November 30, 1924, inclusive, upon

such terms as will preserve the use of the equipment for use in the operation of the Trust Estate.

Enter:

JAMES H. WILKERSON,
Judge.

UNITED STATES OF AMERICA,
Northern District of Illinois, ss:

I, Charles M. Bates, Clerk of the United States District Court in and for the Northern District of Illinois, do hereby certify that the annexed and foregoing is a true and full copy of the original Notice filed December 28th A. D. 1933; Petition filed December 28th A. D. 1933. Order entered December 28, 1933, In re: The Chicago, Rock Island and Pacific Railway Company, Debtor No. 53209, now remaining among the records of the said Court in my office.

In testimony whereof, I have hereunto subscribed my name and affixed the seal of the aforesaid Court at Chicago this 7th day of January, A. D., 1935.

[SEAL] CHARLES M. BATES,
Clerk.

PETITION FOR ORDER NO. 37

Filed December 28, 1933

In the District Court of the United States for the Northern District of Illinois, Eastern Division

No. 53209

In the Matter of the Chicago, Rock Island and Pacific Railway Company, debtor

Petition of Trustees for an Order Determining the Time and Manner for Creditors, Stockholders, and Claimants to File or Evidence Claims and Interests, and for Division of Creditors and Stockholders Into Classes

The undersigned, Frank O. Lowden, James E. Gorman, and Joseph B. Fleming, Trustees of the Debtors herein, respectfully show:

1. That each of the Debtors herein has heretofore prepared and filed with the clerk of this Court, pursuant to order of court herein, a list of its bondholders, creditors, claimants, and stockholders, together with other information, as required by Section 77 of Chapter VIII of the Acts of Congress relating to bankruptcy.

2. That it is desirable that the Court shall now determine a reasonable time within which the claims and interests of creditors, stockholders, and claimants may be filed or evidenced, and the manner in which such claims or interests may be filed or evidenced and allowed, and, for the purposes of such plan of reorganization of the Debtors herein and its acceptance, to determine the division of creditors and stockholders into classes according to the nature of their respective claims and interests.

Wherefore, the said Trustees pray that an order be entered herein determining a reasonable time within which, and the manner in which, the claims and interests of creditors, stockholders, and claimants may be filed or evidenced, and determining the division of creditors and stockholders into classes, according to the nature of their respective claims and interests.

Respectfully submitted.

FRANK O. LOWDEN,
JAMES E. GORMAN,
JOSEPH B. FLEMING,
Trustees.

MARCUS L. BELL,
W. F. DICKINSON,
W. F. PETER,
1025 LaSalle Street Station, Chicago, Illinois,
Solicitors for Trustees.

STATE OF ILLINOIS,
County of Cook, ss.

James E. Gorman, being duly sworn, deposes and says that he is one of the Trustees whose names are subscribed to the foregoing petition; that he has read the said petition and knows the contents thereof; that the same is true to the best of his knowledge and belief, and that the said petition is filed in good faith.

JAMES E. GORMAN.

Subscribed and sworn to before me this 28th day of December 1933.

W. J. GEDL,
[SEAL] *Notary Public in and for the State and County aforesaid.*

UNITED STATES OF AMERICA,
Northern District of Illinois, ss:

I, Charles M. Bates, Clerk of the United States District Court in and for the northern district of Illinois, do hereby certify that the annexed and foregoing is a true and full copy of the original petition of trustees for an order determining the time and manner for creditors, stockholders, and claimants to file or evidence claims and interests, and for division of creditors and stockholders into classes, filed December 28, 1933, In re: The Chicago, Rock Island and Pacific Railway Company, debtor no. 53209, now remaining among the records of the said court in my office.

In testimony whereof, I have hereunto subscribed my name and affixed the seal of the aforesaid court at Chicago, this 28th day of December, A. D. 1933.

[SEAL] CHARLES M. BATES,
Clerk.

Notice relating to petition respecting equipment trust maturities in the District Court of the United

States for the Northern District of Illinois, Eastern Division.

In the matter of The Chicago, Rock Island and Pacific Railway Company, debtor, no. 53209.

In Proceedings for the Reorganization of a Railroad

NOTICE

Guaranty Trust Company, of New York, trustee of The Chicago, Rock Island and Pacific Railway Company equipment trust, series I, Director General's No. 25.

The New York Trust Company, of New York, trustee of The Chicago, Rock Island and Pacific Railway equipment trust (issue of 1923), series L.

Marine Midland Trust Company of New York, trustee of The Chicago, Rock Island and Pacific Railway equipment trust (issue of 1924), series M.

The Chase National Bank of New York, trustee of The Chicago, Rock Island and Pacific Railway equipment trust (issue of 1925), series N.

The Chase National Bank of New York, trustee of The Chicago, Rock Island and Pacific Railway equipment trust (issue of 1927), series O.

The Chase National Bank of New York, trustee of The Chicago, Rock Island and Pacific Railway equipment trust (issue of 1929), series P.

The Chase National Bank of New York, trustee of The Chicago, Rock Island and Pacific Railway equipment trust (issue of 1930), series Q.

You are hereby notified that on Thursday, December 28, 1933, at 10 o'clock in the forenoon, or as soon thereafter as counsel may be heard, we shall present to His Honor Judge Wilkerson, in the court room usually occupied by him in the city of Chicago, the petition of the trustees, Frank O. Lowden,

James E. Gorman, and Joseph B. Fleming, respecting the payment of amounts constituting principal and interest obligations under the above-named equipment trusts, which petition will be substantially in the form of the enclosed copy; at which time you may appear if you see fit.

MARCUS L. BELL,
25 Broad Street,
New York.
W. F. DICKINSON,
W. F. PETER,
1025 La Salle Street Station.
Chicago, Illinois,
Attorneys for Trustees.

Received a copy of the above notice this 19th day of December 1933.

Guaranty Trust Company, of New York, Trustee of The Chicago, Rock Island and Pacific Railway Company Equipment Trust, Series I, Director General's No. 25; by Arthur E. Burke, Corp. Trust Officer.

The New York Trust Company of New York, Trustee of The Chicago, Rock Island and Pacific Railway Equipment Trust (Issue of 1923), Series L; by A. C. Downing, Vice President.

Marine Midland Trust Company of New York, Trustee of The Chicago, Rock Island and Pacific Railway Equipment Trust (Issue of 1924), Series M; by Arthur N. Hazeltine, Vice President.

The Chase National Bank of New York, Trustee of The Chicago, Rock Island and Pacific Railway Equipment

Trust (Issue of 1925), Series N; by C. E. Buckley, Second Vice President.

The Chase National Bank of New York, Trustee of The Chicago, Rock Island and Pacific Railway Equipment Trust (Issue of 1927), Series O; by C. E. Buckley, Second Vice President.

The Chase National Bank of New York, Trustee of The Chicago, Rock Island and Pacific Railway Equipment Trust (Issue of 1929), Series P; by C. E. Buckley, Second Vice President.

The Chase National Bank of New York, Trustee of The Chicago, Rock Island and Pacific Railway Equipment Trust (Issue of 1930), Series Q; by C. E. Buckley, Second Vice President.

ORDER NO. 37

Entered January 23, 1934

In the District Court of the United States for the Northern District of Illinois, Eastern Division

No. 53209

In the Matter of The Chicago, Rock Island and Pacific Railway Company, Debtor

Order Classifying Creditors and Stockholders and Determining the Time and Manner for Filing Claims of Certain Classes

On this day coming on to be heard the petition of Frank O. Lowden, James E. Gorman, and Joseph B.

Fleming, Trustees herein, for an order determining the time and manner for creditors, stockholders, and claimants to file or evidence claims and interests, and for division of creditors and stockholders into classes, and the Court having considered the matter and being fully advised in the premises, it is;

ORDERED,

I. For the purposes of any plan of reorganization that may be presented in these proceedings, the creditors and stockholders of the several Debtors in these proceedings, respectively, are divided into the following classes with respect to the appropriate Debtors:

CLASS 1. *Claims entitled to priority under the six-months' rule:*

Holders of claims against any of the said Debtors, jointly or severally, which would have been entitled to priority over existing mortgages if a receiver in equity of the property of such Debtor had been appointed by a Federal Court at the date of the filing of the respective petitions hereunder, as follows:

June 7, 1933, by—

The Chicago, Rock Island and Pacific Railway Company;

August 28, 1933, by—

St. Paul and Kansas City Short Line Railroad Company;

Rock Island, Arkansas and Louisiana Railroad Company;

October 24, 1933, by—

The Chicago, Rock Island and Gulf Railway Company;

Choctaw, Oklahoma and Gulf Railroad Company;

Peoria Terminal Company;

Rock Island and Dardanelle Railway Company;

Rock Island, Stuttgart and Southern Railway Company;

Rock Island Memphis Terminal Railway Company;

Rock Island Omaha Terminal Railway Company.

CLASS 2. *Claims for personal injuries:*

Holders of claims for personal injuries to employes of the Debtors, respectively, and claims of personal representatives of deceased employes of the Debtors, respectively, arising under State or Federal laws.

CLASS 3. *Other prior claims:*

Holders of all other claims which are entitled to priority in payment by virtue of the laws of any State or of the United States.

CLASS 4. *General Mortgage 4% Gold Bonds:*

Claims evidenced by General Mortgage 4% Gold Bonds, due January 1, 1988, issued under and secured by the General Gold Bond Mortgage of The Chicago, Rock Island and Pacific Railway Company to Central Trust Company, of New York, and George Sherman, as Trustees, dated January 1, 1898, of which Bankers Trust Company, of New York, and B. W. Jones are now Trustees.

CLASS 5. *First and Refunding 4% Gold Bonds:*

Claims evidenced by First and Refunding 4% Gold Bonds, due April 1, 1934, issued under and secured by the First and Refunding Gold Bond Mortgage of The Chicago, Rock Island and Pacific Railway Company to Central Trust Company, of New York, and David R. Francis, as Trustees, dated April 1, 1904, of which Central Hanover Bank and Trust Company and George S. Hovey are now Trustees.

CLASS 6. *Equipment Gold Notes, Series I:*

Claims evidenced by Equipment Gold Notes, Series I, issued and outstanding under the Equipment Trust Agreement, dated January 15, 1920, between the Director General of Railroads, The Chicago, Rock Island and Pacific Railway Company and Guaranty Trust Company, of New York, as Trustee.

CLASS 7. *Equipment Trust Certificates, Series L:*

Claims evidenced by Equipment Trust Certificates, Series L, issued and outstanding under the Equipment Trust Agreement, dated June 1, 1923, between The New York Trust Company, as Trustee, and The Chicago, Rock Island and Pacific Railway Company.

CLASS 8. *Equipment Trust Certificates, Series M:*

Claims evidenced by Equipment Trust Certificates, Series M, issued and outstanding under the Equipment Trust Agreement, dated October 1, 1924, between The Coal and Iron National Bank of the City of New York, as Trustee, and The Chicago, Rock Island and Pacific Railway Company of which The Marine Midland Trust Company, of New York, is now Trustee.

CLASS 9. *Equipment Trust Certificates, Series N:*

Claims evidenced by Equipment Trust Certificates, Series N, issued and outstanding under the Equipment Trust Agreement, dated August 1, 1925, between The Equitable Trust Company of New York, as Trustee, and The Chicago, Rock Island and Pacific Railway Company, of which The Chase National Bank of the City of New York is now Trustee.

CLASS 10. *Equipment Trust Certificates, Series O:*

Claims evidenced by Equipment Trust Certificates, Series O, issued and outstanding under the Equipment Trust Agreement, dated

July 1, 1927, between Interstate Trust Company, as Trustee, and The Chicago, Rock Island and Pacific Railway Company, of which The Chase National Bank of the City of New York is now Trustee.

CLASS 11. *Equipment Trust Certificates, Series P:*

Claims evidenced by Equipment Trust Certificates, Series P, issued and outstanding under the Equipment Trust Agreement, dated August 1, 1929, between The National Park Bank of New York, as Trustee, and The Chicago, Rock Island and Pacific Railway Company, of which The Chase National Bank of the City of New York is now Trustee.

CLASS 12. *Equipment Trust Certificates, Series Q:*

Claims evidenced by Equipment Trust Certificates, Series Q, issued and outstanding under the Equipment Trust Agreement, dated June 1, 1930, between The Chase National Bank of the City of New York, as Trustee, and The Chicago, Rock Island and Pacific Railway Company.

CLASS 13. *Secured 4½% Gold Bonds, Series A:*

Claims evidenced by Secured 4½% Gold Bonds, Series A, due September 1, 1952, issued under and secured by the Indenture of The Chicago, Rock Island and Pacific Railway Company to The National City Bank of New York as Trustee, dated September 1, 1927.

CLASS 14. *Convertible 4½% Gold Bonds:*

Claims evidenced by Convertible 4½% Gold Bonds due May 1, 1960, issued under and secured by the Indenture of The Chicago, Rock Island and Pacific Railway Company to The Chase National Bank of the City of New York, as Trustee, dated May 1, 1930.

CLASS 15. *Burlington, Cedar Rapids and Northern Consolidated First Mortgage 5% Gold Bonds:*

Claims evidenced by Consolidated First Mortgage 5% Gold Bonds, due April 1, 1934, issued under and secured by the Consolidated First Mortgage of Burlington, Cedar Rapids and Northern Railway Company to Central Trust Company of New York, as Trustee, dated April 1, 1884, of which The New York Trust Company is now Trustee.

CLASS 16. *Choctaw and Memphis First Mortgage 5% Gold Bonds:*

Claims evidenced by First Mortgage 5% Gold Bonds, due January 1, 1949, issued under and secured by the First Mortgage of Choctaw and Memphis Railroad Company to The Girard Life Insurance, Annuity and Trust Company of Philadelphia (now Girard Trust Company), as Trustee, dated January 2, 1899.

CLASS 17. *Choctaw, Oklahoma and Gulf Consolidated First Mortgage 5% Gold Bonds:*

Claims evidenced by Consolidated First Mortgage 5% Gold Bonds, due May 1, 1952, issued under and secured by the Consolidated First Mortgage of Choctaw, Oklahoma and Gulf Railroad Company to Giarard Trust Company, of Philadelphia, as Trustee, dated May 1, 1902.

CLASS 18. *Rock Island, Arkansas and Louisiana First Mortgage 4½% Gold Bonds:*

Claims evidenced by First Mortgage 4½% Gold Bonds, due March 1, 1934, issued under and secured by the First Mortgage of Rock Island, Arkansas and Louisiana Railroad Company to Bankers Trust Company, of New York as Trustee, dated March 1, 1910, of which The Marine Midland Trust Company of New York is now Trustee.

CLASS 19. *St. Paul and Kansas City Short Line First Mortgage 4½% Gold Bonds:*

Claims evidenced by First Mortgage 4½% Gold Bonds, due February 1, 1941, issued under and secured by the First Mortgage of St. Paul and Kansas City Short Line Railroad Company to Bankers Trust Company, of New York, as Trustee, dated February 23, 1911.

CLASS 20. *Peoria Railway Terminal First Mortgage 4% Gold Bonds:*

Claims evidenced by First Mortgage 4% Gold Bonds, due January 1, 1937, issued under and secured by the First Mortgage of Peoria Railway Terminal Company to Illinois Trust and Savings Bank, of Chicago, as Trustee, dated January 2, 1907, of which Continental Illinois Bank and Trust Company is now Trustee.

CLASS 21. *Rock Island, Arkansas and Louisiana Railroad Company Little Rock and Hot Springs Western 4% Notes:*

Claims evidenced by 4% Notes, due July 1, 1939, of Rock Island, Arkansas and Louisiana Railroad Company to Little Rock and Hot Springs Western Railroad Company,. dated October 14, 1911.

CLASS 22. *Collateral loans:*

Claims evidenced by promissory notes of any of the Debtors herein, secured by the deposit and pledge of collateral security therefor.

CLASS 23. *The Chicago, Rock Island and Pacific Railway Company 7% Preferred Stock:*

Interests evidenced by certificates of 7% Preferred Stock of The Chicago, Rock Island and Pacific Railway Company.

CLASS 24. *The Chicago, Rock Island and Pacific Railway Company 6% Preferred Stock:*

Interests evidenced by certificates of 6% Preferred Stock of The Chicago, Rock Island and Pacific Railway Company.

CLASS 25. *The Chicago, Rock Island and Pacific Railway Company Common Stock:*

Interests evidenced by certificates of Common Stock of The Chicago, Rock Island and Pacific Railway Company.

CLASS 26. *Other Claims:*

Holders of claims, interests or securities of whatever character, other than those above enumerated in the foregoing classes, against the respective Debtors or their properties, whether or not the same be represented or evidenced by a written instrument.

The foregoing enumeration of classes does not indicate any rank, preference or priority of any class over any other class.

II. Claims and interests of or on behalf of creditors and stockholders described in the above-mentioned Classes 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, and 25, inclusive, are excluded from the scope of this order, so far as the same relates to the time of filing or manner of proving such claims. Provision will be made by future order of the Court for such filing and proof.

III. All other claims and interests against the Debtors, respectively, or their several properties, as set forth in the foregoing classification, shall be evidenced by filing with W. H. Burns, General Auditor of the Trustees, 1106 La Salle Street Station, 139 West Van Buren Street, Chicago, Illinois, on or before the first day of May, 1934, a verified proof of claim, in duplicate, in such form as may be approved by the

Trustees herein, and as may be acceptable to the Court. Unless so filed or evidenced on or prior to said date, no such claim or interest may participate in any plan of reorganization, except on order of this Court for cause shown.

IV. All claims and interests of creditors or claimants, filed or evidenced as herein provided, will be referred for consideration and report to a special master hereafter to be appointed by said Court for that purpose. Objections to the allowance of any such claims and interests may be made and filed within the time and in the manner as shall be hereafter fixed by said Court, by any party in interest.

V. The Court reserves jurisdiction to make from time to time such further orders amplifying, extending, limiting or otherwise modifying this order as to the Court may at any time seem proper. Any creditor or stockholder of or claimant against any of the several debtors herein may apply to the Court at any time prior to April 1, 1934, upon notice to the parties to this proceeding, for a modification of the determination this day made of the division of creditors and stockholders into classes and of the time within which and the manner in which their respective claims and interests may be filed and evidenced.

VI. That the Trustees shall give notice to creditors and stockholders of, and claimants against, the several Debtors herein of the foregoing determination of the division of creditors and stockholders into classes, and of the foregoing determination of the time within which and the manner in which their respective claims and interest may be filed and evidenced, and of the time within which any creditor, stockholder, or claimant may apply to the Court for a modification

of this order, by publishing notice thereof once each week for two successive weeks in one daily newspaper, published and of general circulation in each of the Cities of Chicago, Illinois; Peoria, Illinois; St. Paul, Minnesota; Des Moines, Iowa; Omaha, Nebraska; Kansas City, Missouri; Oklahoma City, Oklahoma; Little Rock, Arkansas; Memphis, Tennessee; Fort Worth, Texas; and New York City, New York. When such publication has been completed, the Trustees shall file with the Clerk of this Court their report in that behalf, attaching thereto a copy of the said notice as published.

Enter:

WALTER C. LINDLEY,
Judge.

PETITION FOR ORDER NO. 42

Filed January 30, 1934

In the District Court of the United States for the Northern District of Illinois, Eastern Division

No. 53209

In the Matter of the Chicago, Rock Island and Pacific Railway Company, Debtor

Petition of Trustees Respecting Plan for Deferring Payment of Equipment Trust Maturities

And now come the Trustees and respectfully show to the Court:

1. As authorized by Order No. 35, entered herein December 28, 1933, they have prepared a plan for deferring for a period of not to exceed three years, the payment of all equipment trust notes or certificates of the principal Debtor, The Chicago, Rock Island and Pacific Railway Company, of each of the

said series of equipment trusts referred to in said Order No. 35, maturing in the twelve-months' period from December 1, 1933, to November 30, 1934, inclusive. Said plan is embodied in drafts of agreements with the holders of certificates of each of the respective series, which are in substantially identical form as to each of the several trusts, Series I, L, M, O, P, and Q. As to each of the said trusts, respectively, the plan contemplates that the certificate or note holder agrees not to take any action, or require or request the Trustee of the equipment trust agreement to take any action, by reason of the failure or refusal on the part of the Railway Company, or the Trustees, to pay that portion of the rental constituting the principal instalment or instalments of the said trust certificates maturing in the period above set forth, which agreement is made on the condition that the Trustees will pay currently all warrants for dividends or coupons for interest on all outstanding notes or certificates of such series as the same become due and payable; will pay at the maturity thereof the principal amount of all notes or certificates, except those maturing in the said twelve-months' period; and on or before three years after the maturity thereof, or, at the option of the Trustees, at any time prior thereto, will pay the principal instalments maturing in the said twelve-months' period, and will currently pay semiannual interest at the rate borne by the respective certificates on the principal instalments the payment of which is deferred. A copy of the said proposed agreement, as it relates to equipment trust Series L, is attached as Exhibit A to this petition. The agreements as to the other series are in substantially identical form.

2. Equipment trust agreements, series N and Series O, provide in Article Seventh thereof as follows:

> *Seventh.* In case the Railway Company shall at any time make default in the payment of any part of the rental in the Lease reserved for thirty (30) days after the same shall become payable, or shall, for thirty (30) days after the Trustee shall have demanded in writing performance thereof, fail to keep and perform any of the terms and covenants of this Agreement or of the Lease, as herein and therein provided, the Trustee may, in its discretion, and shall at the written request of the holders of at least a majority in amount of said Trust Certificates then outstanding, declare the principal of all of said Trust Certificates to be due and payable immediately, and the same shall thereupon become and be immediately due and payable, and thereupon the Trustee shall have the right to enforce all the terms and stipulations of said Lease, and in case the Trustee shall retake possession of said railway equipment, as therein provided, it may either hold or lease or dispose of said railway equipment, or so much thereof as it may deem necessary, in such manner, at public or private sale, for cash or upon credit, as the Trustee may deem most beneficial; and the proceeds of such lease or sale shall be applied by the Trustee, after deducting the reasonable and necessary expenses and proper compensation of the Trustee for its services under this Agreement and the Lease, and any and all taxes (other than federal income taxes), which the Trustee or the Railway Company may be required to pay or deduct or retain, in respect of the leased property and the rental thereof, or the Trust Certificates aforesaid, or the dividends thereon, as above provided, to the payment of:

First: the dividend warrants then due, with interest thereon at the rate of four and one-half percent (4½%) per annum from their respective due dates; and

Second: the principal of all of the outstanding Trust Certificates, with interest at the rate of four and one-half percent (4½%) per annum, from the last preceding dividend date, whether or not said Trust Certificates, or any of them, shall then have matured by their terms, in full, if said proceeds shall be sufficient, and if not, then pro rata, without regard to the date of maturity thereof;

Third: any surplus then remaining to the Railway Company, its successors or assigns, or to whosoever may be lawfully entitled to receive the same.

Such retaking possession of said equipment by the Trustee shall not be a bar to or prevent the recovery by the Trustee from the Railway Company of future accruing rentals until such sum is realized as, with the proceeds of the sale of said equipment, shall be sufficient for the payment in full of all taxes and expenses as aforesaid, together with all accrued dividend warrants and the principal of all said Trust Certificates then outstanding, with interest thereon from the last preceding dividend date, as aforesaid.

Article Ninth of the said equipment trust agreements is as follows:

Ninth. The Trustee shall be under no obligation to take any action for the execution or enforcement of any of the trusts hereby created unless requested thereunto in writing by the holders of not less than a majority in amount of the then outstanding Trust Certificates issued hereunder and upon being indemnified

to its satisfaction against expense and liability with respect thereto, and also furnished with proof satisfactory to it as to the ownership of the Trust Certificates and dividend warrants in respect of which any notice or request may be made, but neither any such request nor this provision therefor shall affect any discretion herein elsewhere specifically given to the Trustee to determine whether or not it shall take action in respect of any such default, or to take action without request.

Article Tenth thereof provides in part as follows:

Tenth. No holder of any Trust Certificate or dividend warrant issued hereunder shall have any right to institute any suit, action, or proceeding for the execution and enforcement of the trusts hereby created unless, after the aforesaid request in writing by the holders of not less than a majority in amount of the then outstanding Trust Certificates shall have been made to the Trustee, indemnity satisfactory to it provided, and a reasonable time has elapsed for action by the Trustee upon such request, it shall decline or neglect to institute any proceedings pursuant thereto.

The Trustee at its option may, for all purposes, conclusively assume that the Railway Company is not in default under the terms hereof or of the Lease until notified in writing to the contrary by the holders of at least one-quarter in amount of the Trust Certificates secured hereby and then outstanding, which notice shall distinctly specify the default desired to be brought to the attention of the Trustee.

Equipment trust agreement Series L contains substantially identical provisions with respect to the rights of the holders thereof.

Equipment trust agreement Series Q contains provisions substantially identical with those of Article

Seven and Article Nine of equipment trusts Series L, N, and O.

Article Tenth of equipment trust agreement Series Q is as follows:

> *Tenth.* The Trustee shall be under no obligation to take any action for the execution or enforcement of any of the trusts hereby created unless requested thereunto in writing by the holders of not less than twenty-five percent in amount of the then outstanding Trust Certificates issued hereunder and upon being indemnified to its satisfaction against expense and liability with respect thereto, and also furnished with proof satisfactory to it as to the ownership of the Trust Certificates and dividend warrants in respect of which any notice or request may be made; but neither any such request nor this provision therefor shall affect any discretion herein elsewhere specifically given to the Trustee to determine what action it shall take in respect of any such default, or to take action without request.

3. As directed by said Order No. 35, the Trustees have negotiated with the Trustee of each of the said equipment trust agreements and with the holders of notes or certificates issued thereunder. As of the date hereof, the holders of more than 75% in amount of the certificates of each of the Series L, N, and O, respectively, and the holders of more than 55% in amount of the certificates of Series Q, have assented to the said plan, and have executed and delivered to the Trustees agreements in the form submitted herewith as Exhibit A to this Petition.

The Trustees are continuing their negotiations with the holders of certificates of other series.

4. Under the terms of the several leases, which constitute parts of the said equipment trust agreements, respectively, the following instalments of rental,

equal to semiannual dividends on the outstanding certificates, are due and payable to the Trustees of the said equipment trust agreements, at the dates indicated:

December 1, 1933:	
Semiannual dividends, Series L	$71, 250. 00
Semiannual dividends, Series Q	252, 720. 00
January 1, 1934:	
Semiannual dividends, Series O	132, 637. 50
February 1, 1934:	
Semiannual dividends, Series N	56, 700. 00
Total	$513, 307. 50

If the plan is declared operative, semiannual dividends due on the dates indicated above will be immediately due and payable to the holders of certificates of each series who have assented to the plan; together with interest from said dates, respectively, to the date of payment at the rate borne by the respective series of certificates.

The Trustees are of the opinion that, in view of the assent to the plan as set forth above by the holders of the outstanding equipment trust certificates of Series L, N, O, and Q, the respective Trustees of the equipment trust agreements will not take any action to declare due the principal of the outstanding certificates of any of the said series, and will not endeavor to prevent the continued use of the equipment by the trust estate. The Trustees, therefore, recommend to the Court that they be authorized to declare the plan operative as to the equipment trust certificates, Series L, N, O, and Q; to inform the holders of said certificates thereof; to pay to the Trustees of the said equipment trust agreements, respectively, or to the holders of certificates issued thereunder, as contemplated in the plan, the amount of rentals set forth in Paragraph 4 of this petition; and to comply with the other conditions set forth in the

respective agreements constituting said plan, for observance by the Trustees.

Respectfully submitted.

FRANK O. LOWDEN,
JAMES E. GORMAN,
JOSEPH B. FLEMING,
Trustees.

MARCUS L. BELL,
W. F. DICKINSON,
W. F. PETER,
Solicitors for Trustees.

(Verification omitted in printing.)

FORM OF AGREEMENT REFERRED TO IN FOREGOING PETITION

The Chicago, Rock Island and Pacific Railway Company

Frank O. Lowden, James E. Gorman, and Joseph B. Fleming, Trustees

Equipment Trust, Series L Agreement

January 1, 1934

THIS AGREEMENT, dated as of January 1, 1934, between FRANK O. LOWDEN, JAMES E. GORMAN and JOSEPH B. FLEMING, as Trustees (hereinafter called the "Trustees"), party of the first part, and such holders of Equipment Trust Certificates of THE CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY issued under the Equipment Trust Agreement hereinafter described as shall join in the execution of this Agreement, or a counterpart thereof, parties of the second part:

WITNESSETH:

WHEREAS on June 1, 1923, an agreement creating an equipment trust (hereinafter called the "Equip-

ment Trust Agreement"), designated "The Chicago, Rock Island and Pacific Railway Equipment Trust (Issue of 1923), Series L", was entered into between The New York Trust Company, as Trustee, and the Chicago, Rock Island and Pacific Railway Company, a corporation of Illinois and Iowa (hereinafter called the "Railway Company"); and pursuant thereto the Trustee of said Equipment Trust Agreement made and executed to and with the Railway Company a lease agreement, dated June 1, 1923 (hereinafter called the "Lease"); and in accordance with the terms of the Lease and the Equipment Trust Agreement, the Trustee thereof delivered to the Railway Company the equipment described therein; and

WHEREAS, pursuant to the Equipment Trust Agreement the Trustee issued its Certificates of shares in such equipment trust (hereinafter called the "Certificates"), in the aggregate principal amount of $8,550,000, bearing date June 1, 1923, maturing serially in equal semiannual instalments of $285,000, payable on the first day of June and the first day of December in each year until June 1, 1938, and providing for the payment of dividends on said Certificates at the rate of 5% per annum, semiannually on June 1 and December 1 in each year; the principal amount of said Certificates and dividends being payable only from and out of rentals or other moneys received for such purpose by the Trustee pursuant to the Lease and the Equipment Trust Agreement; and

WHEREAS, the Railway Company, by endorsement on each of the Certificates, guaranteed the prompt payment of the principal thereof and of the dividends thereon; and

WHEREAS all the Certificates maturing prior to December 1, 1933, aggregating $5,700,000, have been

paid off and discharged, so that there now remain outstanding $2,850,000 thereof; and

WHEREAS the Trustees were appointed by order of the District Court of the United States for the Northern District of Illinois, Eastern Division, in proceedings for the reorganization of a railroad therein pending, under Section 77 of Chapter VIII of the Acts of Congress relating to bankruptcy, entitled "In the Matter of The Chicago, Rock Island and Pacific Railway Company, Debtor," No. 53209, and have duly qualified as such and entered into the possession of the property of the Railway Company, including all the equipment referred to in the said Equipment Trust Agreement and Lease, and now are acting as such Trustees; and

WHEREAS, on December 28, 1933, said Court made and entered an order in said proceeding relating to said Certificates, in the following language:

"ORDERED,

1. That until the further order of this Court, the Trustees herein make no further payment on account of rentals, principal, interest or dividends due, or to become due, under any of the following Equipment Trust Agreements of the Debtor, The Chicago, Rock Island and Pacific Railway Company:

(1) Equipment Trust Agreement of January 15, 1920, Series I, with the Guaranty Trust Company of New York, as Trustee, under which there are now outstanding $1,080,000 of 6% Equipment Gold Notes.

(2) Equipment Trust Agreement and Lease of June 1, 1923, Series L, with The New York Trust Company, as Trustee, under which there are now outstanding $2,850,000 of 5% Equipment Trust Certificates.

(3) Equipment Trust Agreement and Lease of October 1, 1924, Series M, with The Marine Midland Trust Company of New York, as Trustee, under which there are now outstanding $376,000 of 5% Equipment Trust Certificates.

(4) Equipment Trust Agreement and Lease of August 1, 1925, Series N, with The Chase National Bank of the City of New York, as Trustee, under which there are now outstanding $2,520,000 of 4% Equipment Trust Certificates.

(5) Equipment Trust Agreement and Lease of July 1, 1927, Series O, with The Chase National Bank of the City of New York, as Trustee, under which there are now outstanding $5,895,000 of 4½% Equipment Trust Certificates.

(6) Equipment Trust Agreement and Lease of August 1, 1929, Series P, with The Chase National Bank of the City of New York, as Trustee, under which there are now outstanding $6,930,000 of 4½% Equipment Trust Certificates.

(7) Equipment Trust Agreement and Lease of June 1, 1930, Series Q, with The Chase National Bank of the City of New York, as Trustee, under which there are now outstanding $11,232,000 of 4½% Equipment Trust Certificates.

2. That the Trustees be, and they hereby are, authorized and directed to negotiate with the Trustees of the said Equipment Trust Agreements and with the holders of the notes and certificates issued thereunder, for the formulation of a plan for the refinancing or deferring the payment of all notes or certificates of each of the said Series of Equipment Trusts maturing in the twelve months period from December 1, 1933, to November 30, 1934,

inclusive, upon such terms as will preserve the use of the equipment for use in the operation of the Trust Estate,"

and

WHEREAS the Trustees have proposed that the holders of the Certificates of Series L forbear for a period of three years, under the terms and conditions hereinafter set forth, to take action, or request the Trustee of the Equipment Trust Agreement to take action, by reason of the failure or refusal on the part of the Railway Company, or the Trustees, to pay on the maturity thereof the instalments of principal falling due under Equipment Trust Agreement, Series L, on December 1, 1933, aggregating $285,000, and on June 1, 1934, aggregating $285,000, and said proposal has been approved by the holders of the Certificates, parties hereto.

NOW, THEREFORE,

In consideration of the premises and of the mutual agreements herein contained, the parties hereto agree, and each holder of Certificates party hereto agrees with each other holder of Certificates party hereto, as follows:

1. This Agreement shall not be declared operative until approved by the United States District Court for the Northern District of Illinois, Eastern Division, in said proceeding, and until the holders of all the Certificates (or, if less than all, such amount as the Trustees may in their discretion determine) shall have become parties to this Agreement.

As soon as this Agreement has been declared operative by the Trustees, the Trustees shall promptly give notice to that effect to the holders of the Certificates parties hereto and each of the holders of the Certifi-

cates party hereto agrees that promptly upon receipt of said notice he or it will present his or its Certificate or Certificates at the office of the Assistant Treasurer for the Trustees in the City of New York, for endorsement thereon of a legend substantially in the following form:

> "The within Equipment Trust Certificate and all rights of the holder thereof are subject to an agreement dated as of January 1, 1934, between the holders of Equipment Trust Certificates of this issue, of which this certificate is one, and Frank O. Lowden, James E. Gorman and Joseph B. Fleming, Trustees, copies of which agreement are on file with The New York Trust Company, Trustee, New York City, New York, and with said Trustees."

As soon as each Certificate is so endorsed, the Trustees shall cause the same to be returned to the certificate holder who presented the same for endorsement, and at the time of such return the Trustees will cause to be paid to said certificate holder, upon the surrender thereof at the office of The New York Trust Company, Trustee of said Equipment Trust Agreement, in the Borough of Manhattan, in the City and State of New York, any warrant for dividends then due and unpaid, together with interest on such overdue warrant at the rate of 5% per annum to the date this Agreement becomes operative.

At any time before this Agreement becomes operative in the manner herein provided, the Trustees may, by notice delivered to the certificate holders, revoke any offers thay may have made to enter into this Agreement.

2. Each certificate holder agrees that after this Agreement becomes operative he or it will not take any action or require or request the Trustee of said

Equipment Trust Agreement to take any action, and that he or it will not do any act which would cause said Trustee to take any action, by reason of the failure or refusal or default on the part of the Railway Company, or the Trustees (irrespective of whether such failure or refusal or default shall continue for a period of thirty days or more) to pay the $285,000 of rentals or principal due December 1, 1933, or the $285,000 of rentals or principal due June 1, 1934, under Paragraph 4 of Article First of the Lease; provided, however, that such Agreement is made solely upon the following conditions and shall remain in force and effect only so long as such conditions shall be strictly observed, viz:

(*a*) There shall be paid currently as the same become due all warrants for dividends maturing December 1, 1933, and subsequently on all Certificates of Series L.

(*b*) There shall be paid the principal amount of all Certificates outstanding under the Equipment Trust Agreement, and all dividend warrants appertaining thereto, as the same shall respectively become payable, except as herein modified in respect of the principal amount of Certificates payable December 1, 1933, and June 1, 1934.

(*c*) On December 1, 1936, or, at the option of the Trustees, on any date prior thereto, there shall be paid to the Trustee of the Equipment Trust Agreement the sum of $285,000 in cash in payment of the rentals due December 1, 1933, under paragraph 4 of Article First of the Lease, for application by the Trustee to the payment of the principal amount of said Certificates payable on December 1, 1933, and on June 1, 1937, or, at the option of the Trustees, on any date prior thereto and subsequent to June 1, 1934, there shall be paid to the said Trustee the sum of $285,000 in cash in payment

of said rentals due June 1, 1934, for application by the Trustee to the payment of the principal amount of the Certificates payable on June 1, 1934. If such payments shall be made, at the option of the Trustees, on a date other than a dividend payment date, the Trustees will also pay to the Trustee of the Equipment Trust Agreement an amount equal to the amount of accrued dividends on all of the Certificates so paid, from the last preceding dividend payment date to such date of payment.

(*d*) Semiannually on June 1 and December 1 of each year, beginning June 1, 1934, on the Certificates due December 1, 1933, and beginning December 1, 1934, on the Certificates due June 1, 1934, and continuing until the respective dates of payment provided in paragraph (*c*) of this Article 2, there shall be paid dividends at the rate of 5% per annum, upon presentation of said Certificates at the office of the Trustees, in the Borough of Manhattan, City of New York, for endorsement of such payment thereon.

(*e*) The Trustees will also carry out and perform all the other covenants and obligations of the Equipment Trust Agreement and Lease.

The conditions expressed in the foregoing subparagraphs (*a*), (*b*), (*c*), (*d*), and (*e*) shall be regarded as conditions only, and nothing herein contained shall be construed as making said subparagraphs agreements binding upon the Trustees which the Trustees are obliged to perform.

3. It is not intended by this Agreement to modify or alter the rights of the holders of Certificates under the terms of the Equipment Trust Agreement or of their Certificates, except to the extent herein expressly provided; and without limitation of the foregoing, it is understood that, except as herein expressly provided, this Agreement shall not have the effect of subjecting

the principal amount of Certificates maturing December 1, 1933, or June 1, 1934, or such part thereof as is held by the holders of such Certificates becoming parties to this Agreement, or the warrants for dividends thereon, to the prior payment in full of the principal of any of the other Certificates (whether the same mature before or after June 1, 1937), or warrants for dividends thereon.

4. This Agreement shall not become effective unless and until the Trustees shall on or before March 1, 1934, declare the same operative by addressing to each party hereto notice in writing to that effect; provided that the Trustees by similar notice may from time to time extend such date on or before which this Agreement may be declared operative, but in no event to a date later than June 1, 1934.

5. The Trustees shall declare this Agreement operative only when in their discretion they have determined that the holders of sufficient Certificates have become parties hereto.

6. The holders of Certificates request the Trustees to deliver a copy of this Agreement to the Trustee of the Equipment Trust Agreement.

7. This Agreement may be executed in any number of counterparts, all of which shall be construed together as only one instrument; and any holder of a Certificate or Certificates may become a party hereto by executing any counterpart hereof and delivering the same to the Trustees.

In Witness Whereof, the parties hereto have executed this Agreement in one or more counterparts as of the date and year first above written.

FRANK O. LOWDEN,
JAMES E. GORMAN, and
JOSEPH B. FLEMING,

Trustees of The Chicago, Rock Island and Pacific Railway Company.

By _____,
Assistant Treasurer.

Principal Amount of Certificates... $_____
Serial Numbers of Certificates: _____
_____
Signature of Owner _____
Address _____

ORDER NO. 42

Entered January 30, 1934

In the District Court of the United States for the Northern District of Illinois, Eastern Division

No. 53209

In the Matter of The Chicago, Rock Island and Pacific Railway Company, Debtor

Order Approving Plan for Deferring Payment of Equipment Trust Maturities

On this day coming on to be heard the petition of the Trustees respecting the plan proposed by the Trustees pursuant to Order No. 35, entered herein December 28, 1933, for deferring the payment of certain equipment trust maturities of the principal debtor, The Chicago, Rock Island and Pacific Railway Company, and due notice of the presentation of said petition having been served upon all parties to these proceedings, and the Trustees appearing by Marcus L. Bell, W. F. Dickinson, and W. F. Peter, their Solicitors, and it appearing to the Court that the holders of more than 76.1% in amount of all the outstanding equipment trust certificates of Series L have executed the agreement

embodying said plan, in the form now submitted to the Court as Exhibit A to the petition of the Trustees; that more than 81.9% in amount of the holders of all the outstanding equipment trust certificates of Series N have executed a similar agreement with respect to Series N trust; that more than 80.3% in amount of the holders of all the outstanding equipment trust certificates of Series O have executed a similar agreement with respect to Series O trust; and that more than 60.5% in amount of the holders of all the outstanding equipment trust certificates of Series Q have executed such agreement with respect to Series Q trust; and the Court having heard the statements of counsel, and being fully advised in the premises, it is

Ordered:

The Court hereby approves the Plan for deferring the payment of equipment trust maturities prepared by the Trustees pursuant to Order No. 35, entered herein December 28, 1933, as embodied in the proposed agreements of January 1, 1934, between the Trustees and the holders of each series of equipment trust certificates of the principal Debtor, The Chicago, Rock Island and Pacific Railway Company; and the Trustees hereby are authorized in their discretion to declare the said Plan operative as to Equipment Trust Series L, Equipment Trust Series N, Equipment Trust Series O, and Equipment Trust Series Q, respectively; and the Trustees are further authorized, on behalf of the trust estate, to make all of the payments and to carry out and perform all the other conditions provided in said Plan with respect to each of said equipment trusts

Series L, Series N, Series O, and Series Q, respectively, to be observed, kept, and performed by the Trustees.

The Trustees are further authorized to declare the said Plan operative as to equipment trust agreements Series I, Series M, and Series P, or any of them, when in their discretion they shall have determined that the holders of a sufficient amount of notes or certificates, as the case may be, of such series, respectively, have become parties thereto.

Enter:

PATRICK T. STONE, *Judge.*

D. C. Form No. 30

UNITED STATES OF AMERICA,
Northern District of Illinois, ss:

I, Charles M. Bates, Clerk of the United States District Court in and for the Northern District of Illinois, do hereby certify that the annexed and foregoing is a true and full copy of the original Petition filed January 30, 1934; Order entered January 30, A. D. 1934, In re: The Chicago, Rock Island and Pacific Railway Company, Debtor No. 53209, now remaining among the records of the said Court in my office.

In Testimony Whereof, I have hereunto subscribed my name and affixed the seal of the aforesaid Court at Chicago, this 7th day of January, A. D. 1935.

[SEAL] CHARLES M. BATES, *Clerk.*

PETITION FOR ORDER NO. 42-A

Filed November 30, 1934

In the District Court of the United States for the Northern District of Illinois, Eastern Division

No. 53209

In the Matter of the Chicago, Rock Island and Pacific Railway Company, Debtor

Petition of Trustees Respecting Equipment Trust Maturities of Series L and Q, December 1, 1934

And now come the Trustees herein and respectfully show to the Court:

1. Pursuant to Order No. 42, entered herein January 30, 1934, approving the Plan for deferring the payment of equipment trust maturities of the principal debtor, The Chicago, Rock Island and Pacific Railway Company, prepared by the Trustees in compliance with Order No. 35, entered December 28, 1933, they have declared the said Plan operative as to all of the series of equipment trusts described in the Petition of the Trustees respecting the extension of equipment trust maturities, known as Petition No. 35, filed December 28, 1933: more than 91 percent in amount of the holders of all the outstanding certificates having consented thereto. Under the said Plan the assenting certificate holders have agreed to forbear taking any action by reason of the nonpayment of the principal instalments due in the twelve-months' period December 1, 1933, to November 30, 1934, provided the Trustees pay currently all amounts payable by way of interest and on December 1, 1934, resume the payment of princi-

pal obligations as they mature, and provided also that principal maturities falling due in the twelve-months' period from December 1, 1933, to November 30, 1934, inclusive, be paid not more than three years after the date of their respective maturities, and, in the meantime, continue to bear interest at the rate borne prior to maturity.

The Trustees, as authorized by the said Order No. 42, have paid, as the same became due, all amounts payable by way of interest on all the outstanding equipment trust certificates; but have not paid the principal of any of the said certificates.

2. There are now outstanding the following equipment trust certificates of The Chicago, Rock Island and Pacific Railway Company:

Series and Date of Trust	Trustee	Amount of Certificates Originally issued	Rate	Amount Now outstanding	Maturity
			Per cent		
Series I, January 15, 1920.	Guaranty Trust Company of New York.	$8,117,250	6	$1,080,000	$540,000 annually January 15.
Series L, June 1, 1923.	The New York Trust Company.	8,550,000	5	2,850,000	$285,000 semiannually June 1; December 1.
Series M, October 1, 1924.	Marine Midland Trust Company of New York.	3,760,000	5	376,000	$188,000 semiannually April 1; October 1.
Series N, August 1, 1925.	The Chase National Bank of the City of New York.	5,400,000	4½	2,520,000	$360,000 annually August 1.
Series O, July 1, 1927.	The Chase National Bank of the City of New York.	8,515,000	4½	5,995,000	$655,000 annually July 1.
Series P, August 1, 1929.	The Chase National Bank of the City of New York.	9,450,000	4½	6,930,000	$630,000 annually August 1.
Series Q, June 1, 1930.	The Chase National Bank of the City of New York.	14,040,000	4½	11,232,000	$468,000 semiannually June 1; December 1.

3. Principal instalments of equipment trust certificates maturing in the twelve months' period December 1, 1934, to November 30, 1935, are as follows:

Date	Series	Principal
December 1, 1934	L	$285,000
December 1, 1934	Q	468,000
January 1, 1935	O	
January 15, 1935	I	540,000
February 1, 1935	N	
February 1, 1935	P	
June 1, 1935	L	285,000
June 1, 1935	Q	468,000
July 1, 1935	O	655,000
July 15, 1935	I	
August 1, 1935	N	360,000
August 1, 1935	P	630,000
Total		$3,691,000

4. The Trustees will submit to the Court with this petition a detailed cash forecast for the trust estate to the end of the year 1934, which shows that at December 31, 1934, the Trustees will have in their hands the sum of approximately $2,736,000 in cash. This makes no allowance for the payment on December 1 of the $753,000 equipment trust maturities, Series L and Q, referred to above, or the payment during the six months' default period of the interest due July 1, 1934, on the General Mortgage 4% Gold Bonds of the debtor, The Chicago, Rock Island and Pacific Railway Company, said interest amounting to $2,039,000. It is estimated that the unpaid vouchers at December 31, 1934, will be approximately $3,200,000. The Trustees will also submit a cash forecast for the year 1935, based on the most careful estimates which the Trustees have been able to make at this time.

5. Ad valorem taxes due to the various states on the property of the trust estate have not been paid during the current year as promptly as the Trustees

regard it as desirable, but the Trustees hope to be able to bring the taxes to a practically current situation by the end of the year; and regard it as important that this status be continued.

6. The Trustees must be prepared to meet during the year 1935 several items of substantially increased expenditure, as compared with 1934. The principal of these items is the increased cost of wages resulting from the restoration by all the railroads of the 10% pay cut put into effect in 1932. This restoration will amount in 1935 to about $2,800,000 more in wages than for 1934. The increased cost of fuel and other materials and supplies will be about $2,500,000, based on the estimates of the same amount of consumption.

In addition the Railroad Retirement Act will require the accrual of about $1,530,000 during the year as the trust estate's contribution to the Railroad Retirement Fund: which, with the accrual made in 1934 for the same purpose, will require approximately $2,100,000 in cash during 1935. The validity of the Act is now being tested in the Courts in proceedings brought by substantially all the carriers, to which proceedings your petitioners are parties. If the Act is sustained by the Supreme Court of the United States, the trust estate herein will be called upon to pay during the year 1935 an amount estimated as stated above, at $2,100,000; and pending the determination of the validity of the Act your petitioners do not feel that they can safely fail to make accruals in their operating expenses for the payment of said sum.

During the last few years, maintenance expenditures on the property have necessarily been reduced to a minimum, and will now have to be increased. The Trustees recently have been furnished with a copy of a report by Messrs. Coverdale & Colpitts, Consult-

ing Engineers of New York City, made at the instance of the Protective Committee for the General Mortgage 4% Gold Bonds of the Pacific Company, relating to maintenance conditions on the property. The report of Messrs. Coverdale & Colpitts indicates that there is now an accumulation of deferred maintenance of way and structures and of equipment exceeding $10,000,000; and states that while the restoration of much of this can be postponed pending improvement in traffic, the property now urgently needs the expenditure for this purpose of $1,500,000 to $2,000,000 per year during the next two years in excess of the expenditures for 1934. The report further suggests that, if traffic increases, it will be necessary to increase these expenditures correspondingly. While the Trustees are informed that the Protective Committee for the General Mortgage Bonds has not yet taken any action with regard to this report, the Trustees believe that the conclusion stated in the report is a conservative statement of the situation as it now exists, and reflects the actual situation with respect to this property.

Although it is impossible at this time accurately to forecast the revenues of the trust estate for 1935, it is probable, as shown by the estimates submitted herewith, that, unless there is a substantial improvement in traffic, the Trustees will require in the operation of the property the use of all the cash now available, including the amount of $753,000 which would be required if the December 1, 1934, principal maturities of equipment trust certificates were paid in cash. The forecast for 1935 does not indicate that petitioners will have sufficient funds to continue the payment of interest upon the General Mortgage 4% Gold Bonds of the Pacific Company.

PETITIONERS, therefore, recommend that, until the further order of the Court, without prejudice to the rights of any party to this proceeding, or the trustee of any equipment trust agreement, or the holders of equipment trust notes or certificates, the Trustees be directed to make no payment on account of principal of any equipment trust note or equipment trust certificate of the debtor, The Chicago, Rock Island and Pacific Railway Company; but be authorized, until the further order of the Court, to continue the payment of interest or dividends on all of the outstanding equipment trust notes and certificates, whether matured or unmatured.

Respectfully submitted.

FRANK O. LOWDEN,
JAMES E. GORMAN,
JOSEPH B. FLEMING,
Trustees.

(Verification omitted in printing.)

UNITED STATES OF AMERICA,
Northern District of Illinois, ss:

I, Charles M. Bates, Clerk of the United States District Court in and for the Northern District of Illinois, do hereby certify that the annexed and foregoing is a true and full copy of the original Petition of Trustees Respecting equipment Trust Maturities of Series L and Q, December 1, 1934, filed November 30, 1934, In re The Chicago, Rock Island and Pacific Railway Company, Debtor No. 53209, now remaining among the records of the said Court in my office.

In testimony whereof, I have hereunto subscribed my name and affixed the seal of the aforesaid Court at Chicago this 7th day of January, A. D. 1935.

[SEAL] CHARLES M. BATES, *Clerk.*

LETTER FROM TRUSTEES TO MR. OLIVER E. SWEET, DIRECTOR OF FINANCE, INTERSTATE COMMERCE COMMISSION, FINANCE DOCKET 10028

Interstate Commerce Commission, Washington

I, GEORGE B. McGINTY, Secretary of the INTERSTATE COMMERCE COMMISSION, do hereby certify that the attached is true copy of letter dated Chicago, December 19, 1934, addressed to Mr. Oliver E. Sweet, Director, Bureau of Finance, Interstate Commerce Commission, Washington, D. C., signed Frank O. Lowden, James E. Gorman, Joseph B. Fleming, Trustees, and of enclosure referred to therein, the originals of which are now on file and of record in the office of this Commission.

IN WITNESS WHEREOF I have hereunto set my hand and affixed the Seal of said Commission this 3d day of January, A. D. 1935.

[SEAL] GEORGE B. McGINTY,
Secretary of the Interstate Commerce Commission.

THE CHICAGO, ROCK ISLAND
& PACIFIC RAILWAY CO.,
LA SALLE STREET STATION,
Chicago, December 19, 1934.

IN RE: C. R. I. & P. Ry. Co. U. S. District Court, Northern District of Illinois. #53209. Finance Docket No. 10028.

MR. OLIVER E. SWEET,
Director, Bureau of Finance, Interstate Commerce Commission, Washington, D. C.

DEAR SIR: The Trustees have considered your letter of December 3, 1934, making inquiry as to what progress has been made in the preparation of a plan of reorganization.

We believe it is our duty, in replying thereto, to advise you somewhat in detail as to the situation.

We were appointed on November 22, 1933, and believing that the purpose of the statute under which we were appointed was to bring about prompt reorganizations we at once began an investigation of the assets and liabilities of the several trust estates and their general situation, in the hope that a prompt reorganization could be accomplished. With that end in view, we have considered the many complex problems which have arisen in this proceeding and have had various studies and surveys made in order to arrive at the facts necessary to have in order to formulate a reorganization plan.

Numerous groups of creditors have intervened in this proceeding and these interventions have disclosed a wide variety of differing interests and views. We have felt that every reasonable effort should be made to harmonize these differences and thereby to promote the prospects for favorable action by the several classes of creditors, claimants, and stockholders before a plan is submitted for their action. We have had many conferences with the representatives and counsel of the various committees relative to the conduct of the trust estates in order to obtain the benefit of their suggestions and advice concerning the problems of reorganization and the other problems of the estates.

We are confronted with a major problem concerning the formulation of a plan of reorganization, that being the greatly depressed revenues of the trust estates. In our judgment these revenues at the present time are much too inadequate to support any kind of capital structure that the several classes of creditors would accept or that would be approved as equitable by the

Commission and the Court. It is hoped that in due time the revenues will substantially improve and reach a level of comparative stability and we believe it is necessary that the approximate whereabouts of that level be known before any plan of reorganization can be fairly, equitably, and intelligently formulated for presentation.

We have been very much concerned by the fact that the situation has been such that we have up to this time not been able to formulate and propose a plan of reorganization. Upon different occasions we have discussed this problem with the representatives of various substantial interests in the estates to ascertain their views as to whether or not it would be feasible to now formulate a reorganization plan.

On October 11, 1934, a meeting was held at 25 Broad Street, New York, attended by the following persons:

Messrs. Frank O. Lowden, James E. Gorman, Joseph B. Fleming, Trustees.

Messrs. Leon O. Fisher, V. P., Equitable Life Assurance Society; Edward W. Bourne, of Alexander & Green, Counsel, representing Committee for General Bondholders.

Messrs. Robert C. Hardy, Secretary; Edward C. Bailly, of Hornblower, Miller, Miller & Boston, Counsel, representing Committee for B. C. R. & N. Bondholders.

Messrs. George N. Lindsay, Wm. Lloyd Kitchel, of Cadwalader, Wickersham & Taft, Counsel, representing Committee for Convertible-Bond holders.

Messrs. Dwight S. Beebe, V. P., Mutual Life Ins. Company of New York, Elihu Root, Wilkie Bushby, of Root, Clark, Buckner & Ballantine, Counsel, representing Committee for Refunding and secured 4½% Bondholders.

Messrs. H. G. Moulton, Morton Bogue, of Beekman, Bogue & Clark, Counsel, representing Committee for R. I. A. & L. Bondholders.

Messrs. John C. Traphagen, Chairman, Bank of New York and Trust Co., E. L. Williams, of Cotton, Franklin, Wright & Gordon, Counsel, representing Committee for C. O. & G. and Choctaw and Memphis Bondholders.

Messrs. Archer W. Bachman, J. Donald Duncan, of Auchincloss & Duncan, Counsel, representing Committee for Short Line Bondholders.

Messrs. Charles Hayden, Ralph Bollard, representing Reorganization Managers.

Messrs. C. M. Clay, Hilton Moore, representing Reconstruction Finance Corporation.

Mr. Otis F. Glenn, Counsel for Trustees.

Messrs. Marcus L. Bell, General Counsel, Carl Nyquist, Secretary, and Treasurer.

and at that time the Chairman of the Trustees called attention to the decision of the Circuit Court of Appeals in its opinion confirming Judge Wilkerson's injunction order against the sale of collateral in which the court held that Section 77 did not contemplate "nursing receiverships", and stated that the Trustees would like to have the views of those present as to whether it was possible or desirable at that time to formulate a reorganization plan.

He stated that under Section 77 the primary duty of presenting a plan rested upon the Railway Company, and called first upon Mr. Charles Hayden, Chairman of the Board of the Railway Company and also Chairman of its Reorganization Managers. Mr. Hayden stated that at the time of the appointment of Reorganization Managers it appeared that a plan of reorganization could be prepared and submitted

with reasonable promptness; that since that time the decline in earnings and the general decline in the price of all securities made it impossible to proceed with reorganization, or the preparation or submission of any plan that would be acceptable to the various classes of security holders. He further said that he would be available at any time the representatives of the various Committees were prepared to work out a plan upon a reasonable basis, and would be glad to cooperate, but that, until earnings should assume a stable basis he did not think it feasible.

Mr. Bollard, of the Reorganization Managers, concurred in the views of Mr. Hayden.

Mr. Beebe, of the First and Refunding Committee, stated that, in his view, any reorganization should be permanent and not temporary; that any reorganization attempted at this time would result in too great a sacrifice by the holders of bonds, and that it was not fair to them to ask them to do it. The Chairman of the Trustees thereupon said that in view of the fact that it seemed impossible for a prompt reorganization to be brought about, perhaps the spirit of Section 77 could not be carried out and perhaps it was the duty of the Trustees to so report to the Court and resign. No one present indicated that they thought such action should be taken and a number present stated that they thought such action would be very detrimental to the welfare of those interested in the Trust Estates.

The Chairman thereupon asked the meeting what they considered to be the duty of the Trustees in the premises. Mr. Root replied that if a plan were presented at the present time it would undoubtedly fail to receive the necessary approval of the various classes of creditors and the Court would thereupon

have immediately before it a motion to dismiss these proceedings, and if the proceedings were dismissed it would be followed by an Equity Receivership. The Chairman asked if that would help matters and Mr. Root said no, that the situation would be much worse, and with this proposition there seemed to be general assent.

Mr. Bailly said that he regarded it as impossible to make a permanent reorganization under the present conditions; in this view Mr. Kitchel agreed, as did Mr. Bogue and Mr. Moulton.

The Chairman thereupon asked if there was anyone present who thought it was possible or feasible, or the duty of the Trustees, to present a reorganization plan at this time, and there was no response.

Since the date of such meeting several other general meetings with the representatives of the various interests in the Trust Estates have been held, and the affairs and the financial condition of the Trust Estates laid before and discussed with them, and no one has suggested to the Trustees that they believed it advisable to formulate and propose a plan of reorganization under the existing conditions.

The Trustees have had the Treasurer make a forecast of cash receipts and disbursements from January 1, 1935, to December 31, 1935, which they submit herewith. It is the desire and the intention of the Trustees to continue to assemble data and make the studies which will be necessary in the formulation of the plan for reorganization and to take all steps which in their opinion will facilitate the formulation and making effective of a reorganization plan at the earliest time which seems proper and to the advantage of those interested in the Trust Estates.

We shall be pleased to receive from you any suggestions or advice which you believe may be helpful in bringing about a reorganization plan at the earliest time which would be advisable in view of the situation which surrounds the various Trust Estates.

Respectfully,

FRANK O. LOWDEN (Signed)
JAMES E. GORMAN (Signed)
JOSEPH B. FLEMING (Signed)
Trustees.

NOTE.—This forecast follows a forecast for the last three months of the year 1934, which provided for the payment of General Mortgage interest, $2,039,000; Equipment Trust Series "L" and "Q" principal, $753,000; Equipment Trust Series "L" and "Q" interest, $323,970; total, $3,115,970. If none of these items are paid, it will result in creating a credit of $3,115,970, which constitutes the entire working cash on January 1, 1935. Principal and interest payments for the year 1935 aggregate $9,121,900, and are included in the attached forecast.

Rock Island Lines, Frank O. Lowden, James E. Gorman, Joseph B. Fleming, trustees—Treasurer's forecast of cash receipts and disbursements, Jan. 1, 1935 to Dec. 31, 1935

	January 1935	February 1935	March 1935	April 1935	May 1935	June 1935
Balance, cash on hand first of month	$60,012	$139,644	$710,736	$311,952	$714,099	$1,546,197
RECEIPTS						
Agents account traffic, etc.	5,200,000	4,750,000	5,300,000	4,800,000	4,900,000	5,250,000
Companies and individuals	520,000	480,000	530,000	500,000	500,000	520,000
Traffic balances	500,000	550,000	530,000	650,000	700,000	780,000
Car service	65,000	57,000	60,000	80,000	85,000	90,000
Post Office Department	200,000	220,000	180,000	200,000	190,000	190,000
Express	100,000	45,000	70,000	100,000	110,000	115,000
C., R. I. & G. deposit account	75,000	100,000	150,000	150,000	100,000	200,000
Total receipts	6,660,000	6,202,000	6,820,000	6,480,000	6,585,000	7,145,000
Total cash	6,599,988	6,062,356	6,109,264	6,168,048	5,870,901	5,598,803
DISBURSEMENTS						
Pay rolls	2,650,000	2,680,000	2,630,000	2,900,000	3,000,000	3,060,000
Purchases and supplies	400,000	400,000	450,000	450,000	470,000	470,000
Fuel	510,000	495,000	520,000	480,000	470,000	450,000
Lumber	30,000	30,000	30,000	50,000	50,000	60,000	174
Ties	30,000	30,000	30,000	25,000	25,000	25,000
New rails					753,000	655,000
Principal (all equipment trusts)	540,000				306,315	132,637
Interest payments—Equipment trusts	245,025		9,400			2,099,612
Interest payments—General mortgage						9,072
Interest payments—Rentals and misc.		62,500				

Taxes—General	276,607	395,092	500,816	857,147	26,783	537,678
Taxes—Normal income						16,300
Traffic balances	700,000	600,000	700,000	600,000	650,000	700,000
Car service	270,000	300,000	300,000	280,000	360,000	300,000
Agents' junction settlements	70,000	60,000	75,000	70,000	70,000	85,000
Miscellaneous railroad vouchers	350,000	350,000	380,000	380,000	380,000	400,000
Real estate						
Freight loss and damage	60,000	50,000	60,000	60,000	60,000	50,000
Stock killed and fire claims	3,000	3,500	4,000	3,000	3,000	3,500
Personal injuries	20,000	15,000	25,000	20,000	40,000	30,000
Overcharge freight claims	85,000	70,000	80,000	80,000	70,000	80,000
Miscellaneous clearings	100,000	100,000	100,000	100,000	100,000	150,000
Miscellaneous general vouchers	400,000	400,000	400,000	400,000	450,000	450,000
Employees' Federal pension fund		[2] 732,000	127,000	127,000	133,000	133,000
Total disbursements	6,739,632	6,773,092	6,421,216	6,882,147	7,417,098	9,826,799
Balance cash on hand close of month	[1] 139,644	[1] 710,736	[1] 311,952	[1] 714,099	[1] 1,546,197	[1] 4,227,996

[1] Denotes deficit.

[2] Arrears from Aug. 1, 1934, to Feb. 1, 1935.

Rock Island Lines, Frank O. Lowden, James E. Gorman, Joseph B. Fleming, trustees—Treasurer's forecast of cash receipts and disbursements, Jan. 1, 1935 to Dec. 31, 1935—Continued

	July 1935	August 1935	September 1935	October 1935	November 1935	December 1935
Balance, cash on hand first of month	[1] $4,227,996	[1] $4,554,110	[1] $4,049,875	[1] $4,405,461	[1] $4,259,783	[1] $5,356,995
RECEIPTS						
Agents account traffic, etc	6,050,000	5,850,000	5,450,000	5,980,000	4,900,000	4,950,000
Companies and individuals	600,000	540,000	520,000	550,000	520,000	480,000
Traffic balances	820,000	780,000	600,000	540,000	600,000	500,000
Car service	85,000	75,000	70,000	80,000	75,000	80,000
Post Office Department	200,000	180,000	175,000	200,000	190,000	180,000
Express	85,000	45,000	70,000	75,000	90,000	70,000
C., R. I. & G. deposit account	125,000	100,000	75,000	30,000	200,000	200,000
Total receipts	7,965,000	7,570,000	6,960,000	7,455,000	6,575,000	6,460,000
Total cash	3,737,004	3,015,890	2,910,125	3,049,539	2,315,217	1,103,005
DISBURSEMENTS						
Pay rolls	3,100,000	3,050,000	3,060,000	3,010,000	3,090,000	2,900,000
Purchases and supplies	600,000	650,000	600,000	580,000	580,000	500,000
Fuel	470,000	440,000	430,000	450,000	500,000	450,000
Lumber	100,000	100,000	80,000	50,000	40,000	30,000
Ties	25,000	25,000	25,000	25,000	25,000	25,000
New rails		50,000	50,000	50,000		
Principal (all equipment trusts)	990,000				753,000	
Interest payments—Equipment trusts	228,825		9,400		288,660	117,200
Interest payments—General mortgage						2,039,612
Interest payments—Rentals and miscl		62,500				9,072

Taxes—General	375, 289	81, 765	514, 686	643, 322	99, 552	1, 290, 771
Taxes—Normal income						
Traffic balances	675, 000	800, 000	750, 000	800, 000	750, 000	700, 000
Car service	330, 000	350, 000	320, 000	300, 000	270, 000	280, 000
Agents, junction settlements	85, 000	80, 000	100, 000	90, 000	90, 000	90, 000
Miscellaneous railroad vouchers	400, 000	420, 000	400, 000	380, 000	380, 000	350, 000
Real estate						
Freight loss and damage	75, 000	70, 000	70, 000	75, 000	60, 000	60, 000
Stock killed and fire claims	4, 000	3, 500	3, 500	3, 000	3, 000	3, 000
Personal injuries	20, 000	30, 000	40, 000	30, 000	30, 000	30, 000
Overcharge freight claims	80, 000	70, 000	80, 000	90, 000	80, 000	80, 000
Miscellaneous clearings	150, 000	150, 000	150, 000	100, 000	100, 000	100, 000
Miscellaneous general vouchers	450, 000	500, 000	500, 000	500, 000	400, 000	300, 000
Employees' Federal pension fund	133, 000	133, 000	133, 000	133, 000	133, 000	133, 000
Total disbursements	8, 291, 114	7, 065, 765	7, 315, 586	7, 309, 322	7, 672, 212	9, 488, 355
Balance cash on hand close of month	[1] 4, 554, 110	[1] 4, 049, 875	[1] 4, 405, 461	[1] 4, 259, 783	[1] 5, 356, 995	[1] 8, 385, 350

[1] Denotes deficit

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